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BANKRUPTS' ACCOUNTS,

NEW SOUTH WALES.

BANKRUPTS' ACCOUNTS, N.S. WALES.

A PRACTICAL TREATISE

ON THE PREPARATION OF

A BANKRUPT'S STATEMENT OF
AFFAIRS

AND

SUPPLEMENTARY ACCOUNTS

UNDER

THE NEW SOUTH WALES BANKRUPTCY
ACT OF 1887

AND

THE GENERAL RULES MADE PURSUANT
THERE TO.

BY

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SYDNEY:

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1894.

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PREFACE.

Rule 9 of the 1st May, 1893, prescribes that: "As soon as the Official Assignee receives notice that he has been appointed to an Estate, he shall give the Bankrupt instructions for the preparation of his Statement of Affairs."

The primary object of the author has been to supplement the brief instructions that are usually given under the above Rule by supplying, in a simple and comprehensive form, such further details as may be useful to the Bankrupt; and in the compilation of the present work he has endeavoured to present the various subjects treated of in such a manner as will be easily understood by the large number of persons who find it necessary to seek the protection of the Bankruptcy Court, the majority of whom appear to have but a vague idea of what they are required to do.

Technical terms have been avoided as much as possible, and nothing has been considered too self-evident to render comment or explanation unnecessary. To the initiated these explanations may, in some instances, appear unnecessarily diffuse, but in order to convey a thorough knowledge of the whole question relating to Bankrupts Accounts, to those readers who are totally unacquainted with the law and practice, it has been deemed advisable to submit the fullest information available.

A Bankrupt's Statement of Affairs has been compiled, and explicit directions have been given for the preparation of each schedule, a careful perusal of which should enable any person possessing a fair knowledge of accounts to surmount the difficulties that are so often experienced when endeavouring to comply with Section 14 of the New South Wales Bankruptcy Act of 1887. Directions for the preparation of Trading, Profit and Loss, Cash, and other Supplementary Accounts which the Bankrupt may be required to file are also given—with practical illustrations—in addition to articles on various subjects of interest and importance to debtors.

That a treatise of this description is required is very patent to those who have had much experience in connection with Bankruptcy proceedings, and no apology is therefore needed for its publication.

The author has endeavoured to comprise in one handy volume all that is essential and helpful relating to a Bankrupt's accounts, which information has not hitherto been so readily accessible, and in submitting this work to the public he hopes that its sphere of usefulness will not be strictly confined to those for whose guidance it has been primarily compiled, but that it will also prove acceptable as a work of reference to the Merchant, Banker, Professional Accountant, Legal Adviser, and Student. With the latter object in view several important cases are cited, and references are given throughout the work to the various New South Wales Statutes, Rules, and Forms bearing on the subjects under consideration. The Rules referred to—where not otherwise specifically stated—are the General Rules, made pursuant to Section 119 of the Bankruptcy Act of 1887.

HERBERT PRIESTLEY.

SYDNEY,
25th August, 1894.

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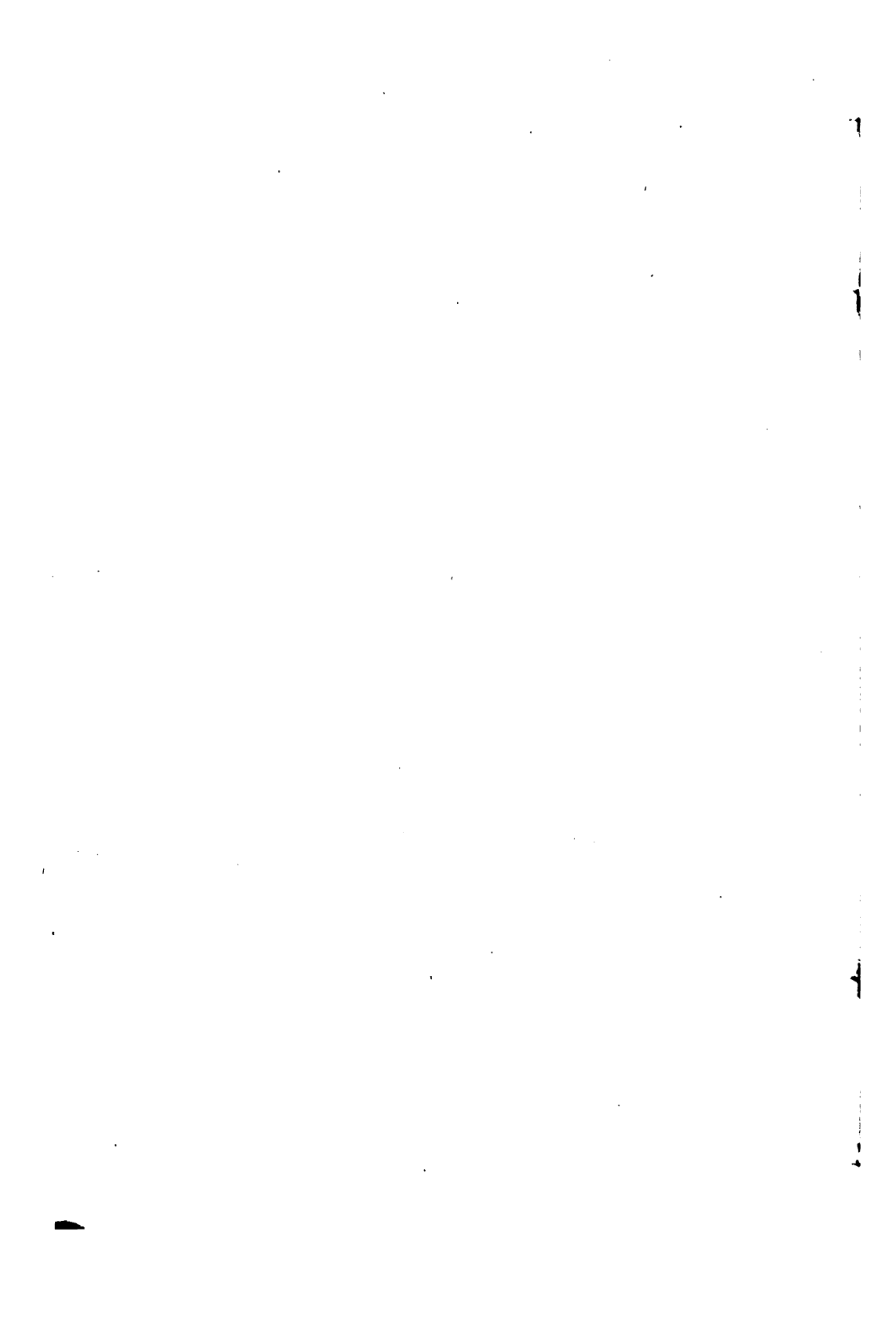
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PART I.

STATEMENT OF AFFAIRS.



CHAPTER I.

STATEMENT OF AFFAIRS.

INTRODUCTORY.

WHERE a Sequestration Order is made against a Debtor he is required (1) to make out a statement of and in relation to his affairs in the prescribed form (2) showing the particulars of his assets, debts, and liabilities, the names, residences, and occupations of the debtors to his estate, and of his creditors, the amounts due by and to each, and the securities given or held by them respectively, the dates when such debts and securities arose and were granted, and such further or other information as may be prescribed, or as the Official Assignee may require.

Bankrupt's
Statement
of Affairs.

Particulars
required.

This statement must be verified by affidavit, and filed in the Bankruptcy Office, Chancery Square, Sydney, and a copy of same should be supplied by the Bankrupt to the Official Assignee (1).

To be veri-
fied and filed

The Statement should be submitted upon the making of the Sequestration Order if the Order is made on the petition of the Debtor, or within seven days from the date of service of the Order if it is made on the petition of a Creditor, unless the time is extended for special reasons (3). If the bankrupt fails, without reasonable excuse, to comply with these requirements, the Judge in Bankruptcy may, on the application of the Official Assignee, or of any Creditor, adjudge him guilty of contempt of Court and punish him accordingly (4).

When to be
submitted.

The form prescribed for the submission of a Debtors' Statement of Affairs is well adapted for the purpose of disclosing every description of liability and asset, and consists of the following lists, viz.: (2).

Form pre-
scribed.

A. Unsecured Creditors.

1. 51 Victoria, No. 19, Sec. 14 (1).
2. Rule 83, Form 13.
3. 51 Victoria, No. 19, Sec. 14 (2).
4. " " " 14 (4).

- B. Creditors fully secured.
 - C. Creditors partly secured.
 - D. Liabilities not otherwise scheduled.
 - E. Preferential Creditors.
 - F. Liabilities of Debtor on Bills other than his own acceptances.
 - G. Property.
 - H. Debts due to the Estate.
 - J. Bills of Exchange, Promissory Notes, &c., available as assets.
 - K. Deficiency Account.
 - L. Substitutive and explanatory.
- Also a general summary or balance sheet.

Petition and Affidavit.

In addition to these lists a form of petition and an affidavit form in support thereof, similar to those given in Appendix A, are included in the set of official forms, copies of which may be obtained from any law bookseller.

Whole of lists seldom required.

The whole of the lists are seldom required in any estate, and in order to avoid the submission of blank forms List L. should be used in substitution for such of the sheets named A. to J. as would otherwise have to be returned blank.

Extra supply of certain lists.

An extra supply of some of the sheets—notably A. “Unsecured Creditors” and H. “Debts due to the Estate”—is occasionally required. If a sufficient number of the particular sheets required cannot be readily obtained copies of the printed forms made be made.

Each list must be signed by the Bankrupt and verified by affidavit. One side of the paper only must be written upon. Where extra sheets are used the total of the first sheet of each schedule must be shown at the foot and carried forward to the top of the second sheet, and so on continuously until the respective schedules are complete, the final amounts be eventually carried to the general summary or balance-sheet.

Interest not to be calculated beyond date of Order.

The Bankrupt is only bound to show in his Statement the state of his affairs on the day on which the Sequestration Order was made against him; he is therefore not bound to calculate interest on interest bearing debts beyond that date (5), but every care should be taken to render the most accurate information obtainable as to the state of his affairs on the date referred to.

Where a Bankrupt treats a transaction as valid in his Statement of Affairs it has been held that he is estopped from afterwards alleging its invalidity (6). Estoppel.

The Bankrupt must not omit from his Statement of Affairs assets on the ground that he does not consider them of any value. Assets considered to be valueless. Where a Bankrupt omitted to include certain assets in his Statement of Affairs it was held to be no excuse to say that he considered they were valueless (7).

A full and fair disclosure of all property in possession, reversion, or expectancy must be made (8). If an error or omission is inadvertently made at the time of filing the Statement the Bankrupt will have an opportunity of amending such statement at his public examination, but if he makes any material omission with intent to defraud his creditors, or dishonestly to conceal the state of his affairs, or otherwise to violate or defeat the law he will be guilty of a misdemeanour, and will render himself liable to imprisonment, with or without hard labour, for a term not exceeding three years (9). Statement can be amended.
Omission with intent to defraud.

For the information and guidance of Debtors who are unable to employ a Solicitor, but are desirous that a Sequestration Order may be made in respect of their estates, and that they may be adjudged bankrupt, a form of petition and an affidavit form in support thereof are given in Appendix A. The petition and affidavit, when completed by the Debtor, must be filed in the Bankruptcy Office, Sydney. The Court Fees for filing same are £3 where the assets are under £200, and £4 13s. 6d. where the assets exceed £200. Where a Debtor's Petition is filed by a Solicitor the costs for drawing and filing same and preparing the Statement of Affairs may, after taxation, be charged against the Estate. A scale of costs to be allowed to Solicitors on filing a Debtor's Petition, under Rules 30 and 38, has been approved and settled by the Court. Form of Petition and Affidavit.
Court Fees.
Solicitor's costs of filing Debtor's Petition may be charged against Estate.

5. *In re Sneyd ex parte Fewings*, 25 C.D. 338.

6. *In re Roe v. The Mutual Loan Fund, Ltd.*, 19 Q.B.D. 347.

7. *In re Weeks*, II. B.C. 9.

8. 51 Victoria, No. 19, Sec. 38 (*i*).

9. " " " 122.

CHAPTER II.

UNSECURED CREDITORS.

LIST A.

What List
A. should
contain.

In the preparation of a Bankrupt's Statement of Affairs it is advisable to commence with the above list. With the exceptions hereinafter mentioned this list should contain particulars of the whole of the unsecured liabilities of the Bankrupt, divided into two classes, Creditors for £10 and upward being arranged in alphabetical order and placed in the first division, after which Creditors under £10 should follow in the same order.

Division
and order
of list.

Exceptions.

The exceptions referred to are :—

1. Contingent Liabilities, for which the Bankrupt has received no valuable consideration; liabilities barred by Statute of Limitations; and deferred claims. (See List "D.")
2. Preferential Creditors. (See List "E.")
3. Creditors in respect of Bills other than the Bankrupt's own acceptances. (See List "F.")

For convenience of reference the columns of the supposititious list of unsecured Creditors illustrated in Appendix "A" have been numbered.

Numbers.

COLUMN No. 1.—In the first column consecutive numbers must be placed opposite to the names of each of the Creditors, commencing with the figure 1 and continuing 2, 3, 4, 5, and so on until the end of the second division is reached and the list completed, when the last figures in this column will represent the total number of unsecured Creditors disclosed in List "A."

Names.

COLUMN No. 2.—The names of the Creditors must be entered in the second column after being divided into two classes, each class being arranged in alphabetical order, as indicated above. The surnames should appear first, thus: Smith, John; Williams, S., and Company.

COLUMN No. 3.—In the third column the address of each Addresses.
 Creditor must be given, as fully as possible. Such addresses as
 Sydney, Melbourne, London, and New York are altogether too
 vague. The name of the street should be given in all cases, also
 the number of the premises, where available, in addition to the
 locality, thus: 28 Castlereagh-street, Sydney, Solicitor. The
 occupation of each Creditor should follow immediately after the Occupations
 address, as illustrated above.

Where there is a contra-account against a Creditor less than Contra Ac-
counts.
 the amount of his claim against the estate the amount of the
 Creditor's claim and the amount of the contra should both be
 given in this column, and the balance only should appear in the
 fourth column under the heading "Amount of Debt," thus:—

Column No. 3.		Column No. 4.	
Total amount of claim ...	£50 6 0		
Less contra-account ...	36 8 4	£13 17 8	

It is also advisable to give a reference to the book in which par-
 ticulars of the contra-account are entered, thus: Ledger B, folio
 85. No such set-off should be included in List "H" as a debt
 due to the estate.

The particulars of any Bills of Exchange or Promissory Bills.
 Notes held by a Creditor should also appear in this and the
 preceding column, immediately below the name and address of
 such Creditor, thus:—

Column No. 2.	Column No. 3.	Column No. 4.
Smith, John; & Co.	70 Pitt-street, Sydney,	£124 7 6
	Merchants	
Hold Pro-Note at 3 mos., due Sept. 4/94,	for £50.	
" " " 6 " "	Dec. 4/94, for £50.	

COLUMN No. 4.—The amount of each debt must be entered Amount of
debt.
 in this column in the manner indicated. When this has been
 done this column must be added up and the total shown at the
 foot. Where extra sheets are required the total of the first sheet
 must be carried to the top of the second one, and so on con-
 tinuously until the final total is obtained. This total will con-
 stitute the first item on the Debit side of the General Summary

Dates. COLUMN No. 5.—The date when each debt was contracted must be given in the fifth column. Where there has been a running account extending over several months the period within which the liability has been incurred should be entered thus: February to August, 1894. Care should be taken to specify each month in the manner illustrated, otherwise it might appear that the whole of the debt had been contracted within close proximity to the Bankruptcy. This column is apparently regarded by many persons as unimportant, dates being frequently omitted from Statements of Affairs filed in the Bankruptcy Office. Where such omissions are made the Bankrupt is invariably ordered to amend his Statement by inserting therein the dates required.

Consideration. COLUMN No. 6.—The consideration received for each debt should be entered in the sixth column. All trade debts for goods purchased may be stated under one general item "Goods supplied." It is not necessary to state the nature of the goods more specifically unless the debt has been contracted for some purpose outside the ordinary business of the Bankrupt, such as for personal clothing, jewellery, furniture and effects, &c., for home use. Legal expenses, medical fees, and liabilities of a similar nature should, however, be specifically shown. Where a judgment has been obtained and remains unsatisfied it is advisable to enter the cost of the judgment separately, thus: Goods supplied, £ : : , and cost of judgment, £ : : . It is also advisable, where the Bankrupt has borrowed money without security, to enter separately in this column the amount received and the interest charged. The total amount will appear in column No. 4.

Goods.

Personal Expenses.

Judgment, debts, and costs.

Claims by a married woman. Claims by a married woman in respect of money lent to her husband to be employed in his business must not be entered in this list, as such claims cannot rank in competition with the ordinary Creditors, but should be entered in List "D," as not expected to rank against the estate for dividend until all claims of the other creditors of the husband for valuable consideration

in money or moneys worth have been satisfied (1); but if money has been advanced by a married woman to a trading partnership of which her husband is a member, and no contract has been entered into that she shall receive a rate of interest varying with the profits, or shall receive a share of the profits from carrying on the business (2), the amount of her claim against the joint estate may be entered in List "A" to rank equally with the claims of the unsecured Creditors of the partnership (3); and where moneys have been advanced by a married woman to her husband for private purposes her claim in respect of such advances may also appear in this list (4); but in cases of this nature the onus of proving that the moneys were not advanced for the purpose of her husband's business lies on her (5).

1. 56 Victoria, No. 11, Sec. 4.
2. 30^a Victoria, No. 14, Sec. 1.
3. *In re Tuff ex parte* Nottingham, 19 Q. B. Div. 88.
4. *In re Tidswell*, 4 Mor. 219.
5. *In re Genese ex parte* The District Bank, 2 Mor. 283.

CHAPTER III.

CREDITORS FULLY SECURED.

LIST B.

This List, as the heading implies, is for fully secured Creditors only, *i.e.*, Creditors who are secured by property belonging to the Bankrupt.

First six columns of this list similar to List A.

COLUMNS 1 TO 6.—The first six columns are identical in every respect with list "A," and a careful perusal of the instructions given in the preceding chapter will render unnecessary any further explanation with reference to the major portion of this list.

Additional information required.

The following additional information is, however, required :

- (a) Particulars of security held by each Creditor.
- (b) Date when such security was given.
- (c) Estimated value of the security on date of bankruptcy.
- (d) Estimated surplus from the security.

Nature of security.

One important point to observe in the preparation of this list is the nature of the security. It must consist of property belonging to the Bankrupt. Although a Creditor may be fully secured by the guarantee—or lien on the property—of a third person, such guarantee or lien would not constitute him a secured Creditor as against the bankrupt estate. He would be entitled to rank against the estate for the whole amount of his debt, and should therefore be treated as an unsecured Creditor and entered in list "A." If he does not elect to prove against the estate the guarantor may prove on payment of the debt.

Particulars of security.

COLUMN No. 7.—Particulars of the security held by each Creditor should be briefly but accurately stated in the seventh column. Where more than one charge exists on any particular property it is of greater importance to arrange the Creditors in the order in which their successive charges are held—such as First, Second and Third Mortgages—than it is to adhere strictly to an alphabetical order.

Successive charges ; how entered

Where more than one charge exists on any particular property, and the estimated value of such property is less than the total indebtedness of the Bankrupt to the several Creditors holding the security, only those Creditors whose debts are considered to be fully covered should appear in this list, thus :—

LIST B.

Name of Creditor.	Amount of Debt.	Particulars of Security.	Estimated Value of Security.	Estimated Surplus.	Example.
Smith, John	£2500	First Mortgage on hotel and two shops in Hunter-street, Newcastle.	£3000.	£500.	Transferred to List C.

LIST C.

Watson, James	£800.	Second Mortgage on hotel and two shops in Hunter - street, Newcastle.	£500, transferred from List B.	Balance
				unsecured, £300.

Where an estimated surplus is transferred from list "B" to list "C" in the manner illustrated, the surplus from securities in the hands of fully-secured Creditors must not be entered—as is occasionally done in error—on the Assets side of the General Summary.

The above sums should appear on the Liabilities side of the Summary only, thus :—

Creditors fully secured, as per list "B"	£2,500	0	0	Example.
Estimated value of securities	3,000	0	0	
Surplus to list "C"	£500	0	0	
Creditors partly secured, as per list "C"	£800	0	0	
Less estimated value of securities	500	0	0	
Expected to rank	—	£300	0	0

COLUMN No. 8.—The date when each security was given must appear in the eighth column. As a general rule, it is sufficient to enter the month and year only, but where the security has been given within the six months immediately preceding the bankruptcy it is advisable to give the precise date when available.

Date when security given.

Estimated
value of
security.

COLUMN No. 9.—The estimated value of the securities enumerated in the seventh column must be entered in column No. 9. Fictitious values—although they may serve to convert a deficiency into an apparent surplus—should in all cases be avoided. The real state of affairs will be discovered when the securities are realized. A fair estimate of the *realizable* value of the securities on the date of the bankruptcy should be given, irrespective of the original cost of the properties or the value of same when the securities were given. Any depreciation in values as estimated for realization may be accounted for in list “K.”

Estimated
surplus from
security.

COLUMN No. 10.—Where the estimated value of the security is in excess of the debt the surplus must be entered in the tenth column. Where the security is valued at the same amount as the debt the word “Nil” may be written in the last column opposite to the value appearing in column No. 9.

Totals.

When full particulars of the debts and securities have been entered in the list, the three money columns must be added up and the totals shown at the foot preparatory to being transferred to the General Summary. The totals of columns No. 4 and 10 added together should agree with the total of column No. 9.

Bill of Sale.

Where there is a Bill of Sale over any stock-in-trade, furniture, or other property, it is important to note whether the Bill of Sale holder (or *any* Creditor under a judgment or distraint) has entered into possession of the property comprised in the Bill of Sale, and if so, the date on which such possession was taken should be carefully noted, as all goods being at the commencement of the bankruptcy in the possession, order, or disposition of the Bankrupt by the consent and permission of the true owner under such circumstances that he is the reputed owner thereof (1) vest in the Official Assignee named in the sequestration order. The effect of this order is to vest in the Official Assignee absolutely, or for such estate and interest as the Bankrupt had therein, all the real and personal property of the Bankrupt which belonged to, was vested in, or was due to such Bankrupt, or to which he was in any manner entitled at the time when the act of bankruptcy

Order and
disposition
clause.

Effect of
Sequestra-
tion Order.

was committed upon which the bankruptcy petition was founded against the Bankrupt, or if such petition was founded upon more than one act of bankruptcy, at the time when the first of such acts was committed (2).

Where the Bankrupt has obtained a pianoforte, sewing machine, or other article under the hire purchase system, and the realizable value of same is in excess of the balance remaining unpaid under the agreement, full particulars of the transaction should be inserted in this list. Particulars of goods pledged should also appear in this list, and the pawn-tickets should be handed to the Official Assignee, who may elect to redeem the goods or to discharge the balance under the hire-purchase agreement on being satisfied that it would be in the interest of the estate to do so.

Goods obtained under hire-purchase system.

Goods pledged.

2. 51 Victoria, No. 19, Sec. 10 (1).

CHAPTER IV.

CREDITORS PARTLY SECURED.

LIST C.

Only material difference between this and the preceding list is in the last column. Creditors appearing in this list are not in the same fortunate position as those appearing in list "B," as a portion of their debt remains unsecured, for which they must rank against the estate in the same manner as the Creditors whose names are entered in list "A." The totals of columns No. 9 and No. 10 added together must agree with the total of column No. 4, and on being carried to the General Summary the total of column No. 10 must appear as an amount expected to rank against the estate for dividend. In other respects the instructions given for the preparation of list "B" are equally applicable to this list.

Totals.

CHAPTER V.

LIABILITIES,

PARTICULARS OF WHICH ARE NOT OTHERWISE SCHEDULED.

LIST D.

This list is intended for particulars of claims or liabilities Explanation for which the Bankrupt has received no valuable consideration, such as liabilities in respect of bonds, contracts, leases and shares, also for particulars of liabilities which are excluded from ranking against the estate in competition with the ordinary Creditors of the Bankrupt.

The purport of this list is often misunderstood, especially Misconception. when the brief instructions qualifying the title are overlooked, with the result that particulars of debts and claims appearing in list "A" are frequently repeated in error. Full particulars of all liabilities *not otherwise scheduled* must be entered in this list, but *no* particulars appearing in any of the other lists must be repeated here.

With the exception of the liability of the Bankrupt on Bills Exception. other than his own acceptances, all contingent or indirect liabilities should be entered in this list whether the same are expected to rank against the estate for dividend or not. The What should appear. amount and nature of each liability must be entered in the fourth and sixth columns respectively, and the date when each liability was incurred must appear in the fifth column.

This list might be materially improved by the addition of Additional column suggested. another column—similar to the seventh column in list "F"—for particulars of amounts expected to rank against the estate for dividend. No provision is made for such particulars to appear in the official form "D," the amount expected to rank for dividend being usually entered in the General Summary only. This amount may, however, be conveniently stated at the foot of the list, as shown in Appendix "A."

Liability as
'Guarantor'

Where the Bankrupt is a guarantor for money advanced or goods supplied to another person, particulars of his contingent liability in respect of such guarantee should appear in list "D," and if it is anticipated that default will be made by the person whose debt is thus guaranteed, the amount which it is expected will rank against the estate for dividend—in the absence of the additional column above suggested—must be carried *in globo* into the General Summary with all other amounts of a similar nature.

Liability on
shares.

The Bankrupt's liability on shares in any limited company of which he is a present member should also appear in list "D," the balance remaining unpaid on the shares to the full extent of the liability being entered in column No. 4, and the amount (if any) which it is expected will rank against the estate for dividend being treated in the manner indicated in the preceding paragraph.

Accommo-
dation Bills.

Where the Bankrupt is an accommodation party to a bill, particulars of his contingent liability in respect of such bill should also be entered in list "D." Where any accommodation bills have been discounted or negotiated the holder of same may be expected to rank against the estate for dividend for the amount (if any) for which he could have obtained a judgment against the Bankrupt had the latter remained solvent.

Accommo-
dation party

An accommodation party to a bill is a person who has signed a bill as drawer, acceptor, or indorser without receiving value therefor, or for the purpose of lending his name to some other person (1).

Liability of
accommo-
dation party

An accommodation party is liable on the bill to a holder for value, and it is immaterial whether, when such holder took the bill, he knew such party to be an accommodation party or not (2).

Liabilities
barred by
Statutes of
Limitation.

The Bankrupt's liability on bills other than his own acceptances must not appear in this list, but must be entered in list "F"; but all liabilities of the Bankrupt which are barred by any Statute of Limitations should appear in this list.

1. 51 Victoria, No. 2, Sec. 28 (1).

2. " " " 28 (2).

The periods fixed by the various Statutes of Limitation vary according to the nature of the liability and other circumstances. As a general rule, all debts and claims on simple contracts which have not been kept alive by a judgment, written acknowledgment, or payment on account within the six years immediately preceding the date of the sequestration order, may be treated as "barred." The acknowledgment of a debt in this list will not take it out of the Statute of Limitations (3); but after a sequestration order has been made the Statute of Limitations does not affect debts which were not previously barred (4). When
barred.

Liabilities in respect of money or other estate lent by a woman to her husband to be employed in his business should, in the event of his bankruptcy, be entered in this list as not expected to rank against the estate, it being expressly provided by the Married Women's Property Act of 1893 that "any money or other estate of the wife lent or entrusted to her husband for the purpose of trade or business carried on by him or otherwise shall be treated as assets of her husband's estate in case of his bankruptcy under reservation of the wife's claim to a dividend as a Creditor for the amount or value of such money or other estate, but *not* before all other claims of the other Creditors of the husband for valuable consideration in money or money's worth have been satisfied." (5). Deferred
Claims.

There is another class of debts, the payment of which is deferred under the Partnership Amendment Act (6) until all the other Creditors for valuable consideration have been satisfied, *viz.*, where loans have been made to a trader on the terms that the lender shall receive a rate of interest varying with the profits. Liabilities of this description should appear in list "D," but unless it is anticipated that the ordinary Creditors for valuable consideration will receive payment of their debts in full,

3. *Everett v. Robinson*, 28 L.J.Q.B. 23; *ex parte Topping re Levy and Robson*, 34 L.J., Bankruptcy 44.

4. *Ex parte Ross*, 2 Glynn and Jameson, 46 and 330.

5. 56 Victoria, No. 11, Sec. 4.

6. 30 Victoria, No. 14.

it is obvious that no portion of these deferred claims can be expected to rank against the estate for dividend.

For further information with reference to claims of this nature see chapter on "Partnership Cases."

CHAPTER VI.

PREFERENTIAL CREDITORS,

FOR RATES, RENT, TAXES AND WAGES.

LIST E.

In the administration of a bankrupt estate certain debts are allowed to rank in priority to others, and such debts when proved must be provided for before a dividend can be paid to the ordinary Creditors of the Bankrupt.

The heading of the official form "E" suggests "rent, rates, taxes and wages" as preferential debts, but this list is subject to certain exceptions, modifications and additions, more particularly referred to in the present chapter.

It does not necessarily follow that because certain debts are allowed to rank in priority to others that those debts will be paid in full, as such payment will depend in a great measure upon the net result of the realization of the estate, and the costs, charges and expenses in connection with the administration.

Rates and taxes are specifically mentioned in the official form "E"—which is a copy of the English form—but the only rates or taxes which are recognised in this colony as having any preference over ordinary claims in a bankrupt estate are those due to the Crown, it being a prerogative of the Crown to claim priority for its debts before *all* other Creditors. When preparing list "E" the amount due in respect of Crown debts should be entered in the seventh and eighth columns respectively.

It has been held that rates due to the Board of Water and Sewerage Supply are Crown debts (1), and where there are not sufficient assets in an estate to pay such rates in full they remain a charge upon the lands and tenements, of which they are payable

1. *In re* Centennial Investment, Land and Building Co., Ltd.,
III. B.C. 27.

for a period of two years from the time they first became payable, provided that the Board shall have taken all legal remedies against and shall have failed to recover the said rates from the occupiers of the said lands and tenements, and may during such period be recovered from any owner of those lands or tenements, with full costs of suit (2).

May be recovered from owner of property.

Municipal Rates.

Default by occupier.

Owner of property liable.

Charge upon property.

Property taken in execution.

Costs of execution a charge on property delivered.

Interpretation of term "Sheriff."

Officer of Friendly Society.

Municipal rates due by a tenant have no preference in an estate over ordinary debts, and any amount owing by a Bankrupt in respect of such rates should be entered in list "A." It may, however, be pointed out that if default be made by the occupier of any ratable property the Council may demand the amount of such rate or any part thereof from the owner for the time being of such ratable property, and may recover the same from such owner in any Court of competent jurisdiction. All unpaid rates remain a charge upon the property, and may, notwithstanding any Statute of Limitations at any time be recovered from the owner of such property (3).

Where property of a debtor is taken in execution, and before the sale thereof notice is served on the Sheriff that a sequestration order has been made against the debtor, the Sheriff shall, on request, deliver the property to the Official Assignee or trustee under the order, but the costs of the execution shall be a charge on the property so delivered, and the Official Assignee or trustee may sell the property or an adequate part thereof for the purpose of satisfying the charge (4). In this connection "Sheriff" includes any officer charged with the execution of a writ or other process (5), and the estimated amount of the charge (if any) should be entered in list "E" when the precise amount cannot be ascertained.

Under the Friendly Societies Act of 1875 if the Bankrupt is an officer of a Friendly Society established under the said Act, and has in his hands or possession at the time of his bankruptcy by virtue of his office any moneys or property whatsoever of such Society or any deeds or securities belonging to such Society, the

2. 57 Victoria, No. 12, Sec. 1.

3. 55 Victoria, No. 33, Secs. 4 and 5.

4. 51 Victoria, No. 19, Sec. 54 (1).

5. " " Sec. 3 (1).

Official Assignee shall, upon proper demand being made upon him, deliver and pay over all such moneys, property, deeds, and securities belonging to such Society to any person properly appointed to receive the same, and shall pay out of the estate assets or effects of such officer all sums of money due which such officer shall have received *before any other* of his debts are paid and before any other claims upon him shall be satisfied (6). Claims of this description are fortunately of rare occurrence; but where any amount is due by a Bankrupt to a Friendly Society—in the manner indicated—particulars of such debt should be entered in this list ("E") in the same manner as debts due to the Crown are entered.

All wages or salary of any clerk or servant, in respect of the services rendered to the Bankrupt during six months before the date of the sequestration order, not exceeding fifty pounds, and all wages of any labourer or workmen, not exceeding fifty pounds, whether payable for time or piece-work, in respect of the services rendered to the Bankrupt during six months before the date of the bankruptcy order, are preferential debts, and as such rank equally between themselves and are payable in full unless the amount available for distribution is insufficient to meet them, in which case they abate in equal proportions between themselves (7). Wages and salaries.

In order to constitute a preference in respect of wages or salary it is important to observe that the claim must have accrued due within the six months immediately preceding the date of the sequestration order. For instance: if four months wages were due to an employee for services rendered from the 1st January to the 30th April at the rate of £12 per month, and the sequestration order was not made until the 31st July, only £36 (representing three months' wages) would rank against the estate as "preferent," that being the total amount which accrued due within the time limited, and such amount would be entered in the eighth column of list "E." Limit of time, six months.
How entered in list.

6. 37 Victoria, No. 4, Sec. 39 and
51 Victoria, No. 19, Sec. 48 (5).
7. " " Sec. 48 (1 and 2).

Maximum
sum allowed
as 'prefer-
ent,' £50.

How
entered on
list.

Dates.

Judgment
debt.

Order under
Master and
Servants'
Act.

Rent.

Compensat-
ing right.

The total amount due, *viz.*, £48, would be entered in the seventh column, and the difference (£12) would be entered in ninth column to rank for dividend. Fifty pounds being the maximum sum allowed as a preferential claim for wages or salary, any additional sum which may have accrued due within the six months above referred to must appear in the last column of list "E." For instance: if £72 were due to an employee for wages, the whole of which sum had accrued due within the six months immediately preceding the date of the sequestration order, the total amount would be entered in the seventh column; but only £50 would appear in the eighth column under the heading "Amount payable in full," the difference (£22) being carried into the last column as an amount to rank for dividend.

When preparing list "E" it is important that the periods during which the debts accrued and the exact dates when such debts became due should be carefully noted.

Where a judgment is obtained for wages or salary due the debt loses its character and is a judgment debt only, and where a Creditor proves a debt in a bankrupt estate on any such judgment he is entitled to no preference; but it has been held that where a servant had obtained an order under the Master and Servants' Act (8), and the master subsequently became bankrupt, that this was not a judgment and did not work a merger, and that the servant was entitled to a preferent dividend in the estate (9).

The Bankruptcy Act provides that no distress for rent which has accrued due before the date of the sequestration order shall be levied or proceeded with after the sequestration order; but the landlord shall receive out of the estate so much rent as was then due or accruing due, but for a period not exceeding three months, and may prove and share ratably with the other Creditors for the balance (10). Although this section deprives a landlord of certain rights it gives him a compensating right as a

8. 20 Victoria, No. 28, Sec. 5.

9. *In re Anderson*, I. B.C. 45.

10. 51 Victoria, No. 19, Sec. 50.

preferential Creditor in respect of all rent which has accrued due within the time specified, no reserve whatever being placed upon the amount of same.

It has been held that in this colony a landlord's right to a preferential claim for rent which has accrued due within the three months immediately preceding the bankruptcy is not restricted to the value of the goods of the Bankrupt which were on the premises at the date of the sequestration order, but notwithstanding that there were *no* goods of the Bankrupt on which distress could be levied at the date of the order, the preference still existed (11). If, however, the relation of landlord and tenant does not exist (12), or if the right to distrain is given up, or if there cannot be any distress, then there is no consideration given by the landlord, and he acquires no compensating right to rent under the Act, but must rank as an ordinary Creditor in respect of same.

'Right' not restricted to value of goods on premises.

Exceptions.

Where a distress has been levied the Official Assignee should be notified by the Bankrupt immediately after the sequestration order has been made in order that he may be in a position to withdraw the bailiff from possession of all assets belonging to the estate without delay.

O. A. to be notified where distress levied.

Where any rent or other payment falls due at stated periods, and the order of sequestration is made at any other time than one of those periods, the proportionate part thereof up to the date of the order should be entered in this list as if the rent or payment grew due from day to day (13).

Periodical payments.

The total amount due for rent at the date of bankruptcy must be entered in the seventh column; the amount payable in full must appear in column No. 8; and the difference ranking for dividend must be carried into the last column No. 9. Claims for rent must be proved against the estate for the whole amount due on the date of the bankruptcy.

Amount due; how entered on list "E."

Proof for rent.

11. *In re* Garling, III. B.C. 72.

12. *In re* Fisher *ex parte* Simmons, Salusbury on Bankruptcy, p. 360.

13. 51 Victoria, No. 19, Schedule II. (19).

Preferential
Claim in re-
spect of
apprentice-
ship.

May be
treated as
contingent
liabilities
and entered
in list D.

Columns to
be added up.

In addition to the preferential claims already referred to, where any money has been paid on behalf of an apprentice or articted clerk to the Bankrupt, as a fee, the Official Assignee may, on the application of the apprentice or clerk, or of some person on his behalf, pay such sum as the Official Assignee, subject to the approval of the Judge, thinks reasonable out of the Bankrupt's property to or for the use of the apprentice or clerk, regard being had to the amount paid by him or on his behalf, and to the time during which he served with the Bankrupt under the indenture of articles before the commencement of the bankruptcy and to other circumstances of the case (14); but as it is impossible for the Bankrupt to know, when preparing his Statement of Affairs, whether or not any allowance will be made out of his estate to any apprentice or articted clerk in his employ from whom he has received a fee, it is advisable for him to enter all liabilities of this nature in list "D" as "contingent" liabilities only. When the whole of the preferential claims have been entered in list "E" columns 7, 8, and 9 must be added up preparatory to the totals being carried to the General Summary. The totals of columns 8 and 9 when added together should agree with the total of column 7.

CHAPTER VII.

LIABILITY OF DEBTOR ON BILLS OTHER THAN HIS OWN

ACCEPTANCES.

LIST F.

The purport of list "F" appears to be very generally misunderstood, with the result that a Bankrupt's liability as "maker" of promissory notes is often entered in this list in error, and his indebtedness thereby made to appear considerably larger than is actually the case, his liability in respect of such notes having been entered in the preceding lists. This error probably arises from the manner in which the term "Bill" is indiscriminately applied both to Bills of Exchange and Promissory Notes, whereas there are important distinctions between the two instruments.

A Bill of Exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer (1); a Cheque is a Bill of Exchange drawn on a banker payable on demand (2).

A Promissory Note is an unconditional promise in writing made by one person to another signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer (3).

The additional terms used in the Official List, *viz.*, Acceptances, Drawer, Indorser, Acceptor and Holder, may be defined as follows :—

1. 51 Victoria, No. 2, Sec. 3 (1).
2. " " Sec. 73.
3. " " Sec. 83 (1).

Common errors to be avoided.

Bill of Exchange defined.

Cheque defined.

Promissory Note defined.

Definition of terms used in list "F."

Acceptances.

ACCEPTANCES.—The acceptance of a Bill is the signification by the drawee of his assent to the order of the drawer (4). "Acceptance" means an acceptance completed by delivery or notification (5).

Drawer.

DRAWER.—The person who draws the Bill is called the "drawer." The drawer of a Bill by drawing it engages that on presentment it shall be accepted and paid according to its tenor, and that if it be dishonoured he will compensate the holder or any indorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken (6).

Indorser.

INDORSER.—If the person in whose favour a Bill is drawn indorses it to another, he is termed the "indorser." The indorser of a Bill by indorsing it engages that on due presentment it shall be accepted and paid according to its tenor, and that if it be dishonoured he will compensate the holder or subsequent indorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken (7).

Acceptor and Drawee

ACCEPTOR.—The person to whom a bill is addressed is before acceptance called the "drawee." After accepting it he is termed the "acceptor." The acceptor of a Bill by accepting it engages that he will pay it according to the tenor of his acceptance (8).

Holder.

"HOLDER" means the payee or indorsee of a Bill or Note who is in possession of it, or the bearer thereof (9).

Proof by holder of bill.

The holder of a Bill for valuable consideration is entitled to prove in a bankrupt estate for the amount actually due on the Bill at the date of the Sequestration Order, and it is not necessary to defer submitting such proof until the Bill has matured (10).

Application to list "F."

The Bankrupt's liability—either as a drawer or indorser—on all Bills discounted by him (which Bills ought to be paid by the acceptors when due) should be entered in list "F." Where there

4. 51 Victoria, No. 2, Sec. 17 (1).
5. " " Sec. 2.
6. " " Sec. 55 (1).
7. " " Sec. 55 (2).
8. " " Sec. 54 (1).
9. " " Sec. 2.
10. 51 Victoria, No. 19, Sch. II. (21).

is a reasonable probability that any of such Bills will be paid by the acceptors at maturity it is not usual to enter any sum in the seventh column of list "F" in respect of same; but when it is anticipated that default will be made, the amount expected to rank against the estate for dividend must appear in said column (No. 7) opposite to the holder's name and address, in addition to the other particulars required.

When completed this list should contain particulars of all current Bills received by the Bankrupt in the ordinary course of his business for valuable consideration, which said Bills were not in his possession on the date of the Sequestration Order, and on which he is liable as drawer or indorser until they have been taken up by the acceptors. Particulars of any Accommodation Bills on which the Bankrupt may be liable either as *drawer* or *indorser* should also appear in this list under precisely the same conditions as his liability as an *acceptor* of Accommodation Bills would appear in list "D."

What list
"F" should
contain
when com-
pleted.

In applying the above provisions to Promissory Notes the maker of a "Note" may be deemed to correspond with the acceptor of a "Bill," and the first indorser of a Note may be deemed to correspond with the drawer of an accepted Bill payable to drawer's order (11).

Applica-
tion of pro-
visions to
Pro. Notes.

When preparing list "F" it is important to render full particulars under each heading, as illustrated in the list appearing in Appendix "A." Particulars of each Bill or Promissory Note must be given separately. When this has been done columns 5 and 7 must be added up preparatory to the transfer of the totals to the General Summary.

Separate
particulars
of each bill
required.

CHAPTER VIII.

PROPERTY.

LIST G.

Particulars required. Full particulars of all the real and personal property of the Bankrupt—not otherwise scheduled—which belonged to, was vested in, or was due to such Bankrupt, or to which he was in any manner entitled at the time of his bankruptcy, must be given in this list.

Secured assets and cash must not be entered in this list. Particulars of secured assets are frequently included in list "G" in error; such particulars should appear in lists "B" and "C" only.

Cash in hand or in a Bank must be entered in the General Summary or Balance-sheet only, and not in this list.

Where assets 'nil' explanation recommended. Where the Bankrupt has no property whatever, either secured or unsecured, it is more satisfactory to account for the absence of same in this list than to simply write "Nil" opposite to the various items given in the printed form. For instance: "Not in business" would explain the absence of stock, machinery, etc.; "In lodgings" would account for the absence of household furniture. Where a voluntary settlement of any property has been made, the date of settlement and the name of trustee might also be given.

Voluntary settlements When furnishing particulars of stock-in-trade, machinery, furniture and other property it is important to state precisely where such property is located, in order to save further enquiry and consequent delay. The estimated cost of each lot should be

Locality of assets. given as nearly as possible, also the amount which the Bankrupt

Estimated cost. estimates the assets will produce if realized promptly at a forced

Realization value. sale, and not what they might have produced had they remained in the Bankrupt's possession and been disposed of by him in the ordinary way of business. Fictitious values should be avoided, and a fair estimate given of the realizable value of the

property by auction or by tender. Any depreciation in values as estimated for realization may be accounted for in the "Deficiency Account K." Depreciation.

No assets must be omitted on the ground that the Bankrupt does not consider them of any value (1). Real property (unencumbered) interests in shares, leases, contracts, agreements, life-policies, patent rights, &c., should appear under the heading of "Other Property," and where any of such properties or interests are of "uncertain value" or of "no present value," or where they are "protected from Creditors," the explanation most applicable to each particular case should be given. Other property.

The date, currency and rent of any unencumbered leases held by the Bankrupt should appear in this list, if such particulars have not been entered elsewhere, as it may be advisable for the Official Assignee to disclaim the leases without delay if they are of no value to the estate or if they contain any onerous covenants (2). Leases.

Where the Bankrupt is entitled to any interest whatever, either in reversion or otherwise, particulars with reference to same should appear in this list, with the names and addresses of all parties interested and such further details as may be of assistance to the Official Assignee in the administration of the Bankrupt's property. Reversionary and Life interests, annuities, etc.

All deeds, agreements, contracts, leases, patent rights, scrip, etc., disclosed in this list must be handed to the Official Assignee as soon as possible after the Sequestration Order has been made (3). Deeds, documents, etc., to be delivered to Official Assignee.

Where any property of a Debtor has recently been levied upon or taken in execution it is advisable to give full particulars with reference thereto, as it may be necessary for the Official Assignee to take immediate steps to protect such property, or to recover the proceeds of sale if the property has been sold under an execution (4). Property taken in execution.

1. *In re Weeks*, II. B.C. 9 (*Vide* Chap. I.).
2. 51 Victoria, No. 19, Sec. 62.
3. " " Sec. 59 (1).
4. " " Secs. 53 and 54.

CHAPTER IX.

BOOK DEBTS.

LIST H.

Exceptions. No person should appear in list "H" as a Debtor to an estate in respect of an amount for which he has given the Bankrupt a Promissory Note or Bill of Exchange (See lists "J" and "F."), nor should any person who has a contra-account larger than the amount of his indebtedness to an estate be treated as a debtor to such estate and included in this list (See list "A"). With these exceptions particulars of all debts due to an estate should appear in list "H." For convenience of reference it is advisable to arrange the names of the Debtors in alphabetical order and number them consecutively in the same manner as the unsecured Creditors are entered in list "A."

Names, addresses, etc. of debtors. The fullest information available with reference to the names, addresses and occupations of the Debtors should be given. Where the present address of any Debtor is uncertain, the last known address should be given, with the prefix "lately of." Where any of the Debtors have become bankrupt or assigned their estates the name of the Official Assignee or trustee should be stated. In such cases it is also advisable to add whether or not the claims have been proved against the estates.

Mutual credit and set-off. As mutual credits and debits are allowed in bankruptcy (1), where any Debtor to an estate is also a Creditor, but for a less amount than his indebtedness, the gross amount due to the estate and the amount of the contra-account should be shown in the third column of this list, and the balance only should appear under the heading "Amount of debt," thus:—

Due to Estate	...	...	...	£	:	:
Less Contra-account	...	...	...	£	:	:

No such claim should be included in sheet "A." Where this right to set-off does not exist at the time of the bankruptcy it cannot be acquired by any subsequent transaction (2).

In order to facilitate the collection reference should be made to the folios of the ledger or other books in which particulars of the debts are entered, and such books should be delivered to the Official Assignee as soon as possible after the Sequestration Order has been made (3).

Reference
to ledger
folios.

The month and year when each debt was contracted, and particulars of any securities held by the Bankrupt for the due payment of the debts, should also appear in this list. All such securities must be handed to the Official Assignee immediately after the Statement of Affairs is filed (3).

Dates when
debts con-
tracted and
securities
held.

The particulars given in the last column of this list need not necessarily be confined to securities held for the debts. Any further information that may be of service to the Official Assignee in the collection of the debts should also be included in this column, especially where proceedings have been instituted against any of the Debtors in order to enforce payment, or where any special terms for payment have been arranged.

Further
particulars.

In classifying the debts it should be remembered that the Official Assignee is in no better position to recover the amounts due than the Bankrupt was prior to the Sequestration Order being made. This fact appears to be frequently overlooked, in consequence of which debts are entered in the first money column as "good" which in many cases have been outstanding for a considerable period, and which for various reasons the Bankrupt has been unable to collect. As a general rule, no debts should be classified as "good" where there is not a reasonable probability of the amounts stated being paid in full within three or four months from the date of the Sequestration Order. It is advisable to treat all other debts as doubtful or bad. Where it is probable that only a portion of a debt will be collected the total amount owing should appear in the second money column under the

Proper
classifica-
tion.

Good debts.

Doubtful
debts

2. *In re Gillespie ex parte Reid & Son*, 2 Mor. 100.

3. 51 Victoria, No. 19, Sec. 59 (1).

heading of "Doubtful," and an estimate of the amount such debt is expected to produce should be entered in the column specially provided for that purpose, *viz.*, No. 7.

Bad debts.

Where no amount whatever is expected to be recovered the debt should be classified as "Bad" and entered in the third money column.

Closing items.

When the whole of the debts due to the estate have been entered in this list add up the various money columns preparatory to the totals being carried to the General Summary, then deduct from the total of the doubtful debts the amount which they are estimated to produce, and add the remainder to the total of the bad debts, as disclosed in the third money column, in order to ascertain the estimated loss that has accrued in respect of the outstanding debts.

It is important that the information required should be given as fully and correctly as possible.

Losses by bad debts.

Debtors frequently attribute the cause of their bankruptcy to "losses by bad debts" where no bad debts whatever are disclosed in their Statement of Affairs. That such debts are valueless is not a satisfactory explanation for their omission. In all cases where they have accrued due within the time over which the liabilities extend they should be included in this list, if for no other purpose than to account for a portion of the deficiency.

CHAPTER X.

BILLS OF EXCHANGE, PROMISSORY NOTES, ETC.,

AVAILABLE AS ASSETS.

LIST J.

This list is not often required, negotiable instruments of the kind indicated in the heading being usually converted into cash or otherwise disposed of prior to a Sequestration Order being made, but where Bills of Exchange or Promissory Notes in favour of a Bankrupt are held by him at the time of his bankruptcy the following particulars with reference to such documents should appear in this list, *viz.*, the name, address, and occupation of the acceptor of the Bill—or maker of the Note, as the case may be—with amount, date of maturity and estimated value of each document. Where the Bankrupt holds any security for the due payment of any of the said Bills or Notes particulars of the security must appear in the seventh column, and all negotiable instruments and all securities disclosed in this list must be handed to the Official Assignee immediately after the Sequestration Order has been made.

Particulars
required

Securities.

CHAPTER XI.

K.—DEFICIENCY ACCOUNT.

Apparent
difficulty in
preparing
account
properly.

To a large number of persons the official form "K" is either unintelligible or the difficulty in accounting for their deficiency in the manner prescribed is too great for them to encounter. Whatever the true reason may be, the "Deficiency Account" is generally regarded as a troublesome one to prepare; it is frequently omitted, and is seldom compiled in a proper manner. Where books have been kept in accordance with the requirements of the Bankruptcy Act, and properly balanced from time to time, very little difficulty should be experienced in preparing a satisfactory account if the following instructions are attended to:—

Basis of the
account.

Date.

Excess of
assets over
liabilities
and *vice*
versa.

Profit or
loss arising
from carry-
ing on busi-
ness.

Where a reliable balance-sheet has been prepared by the Debtor about twelve months prior to his bankruptcy it may be accepted as the basis of this account, but in the absence of any such balance-sheet it is advisable to commence from the nearest date on which the Bankrupt's financial position can be ascertained with a reasonable degree of accuracy. The date fixed upon must be entered in the first, second, third, fifth, sixth and eighth items in list "K." If the assets and liabilities on that date were equal, write the word "Nil" opposite to the first and fifth items in the list; but if the assets were in excess of the liabilities, enter the difference (*i.e.*, the net capital) opposite to the first item and write the word "Nil" opposite to the fifth item in the list, but reverse this order if the liabilities exceeded the assets on the date referred to.

Where the Bankrupt has been engaged in business refer to his profit and loss account to ascertain whether he has made a net profit or a loss from carrying on such business during the period under consideration. If a net profit is there disclosed enter the amount of same opposite to the second item in the list and write the word "Nil" opposite to the sixth item; but reverse this order if the account shows a loss. The words "After deducting

usual trade expenses (if any)," which appear in the official form, are superfluous, as a net profit or net loss arising from any business cannot possibly be ascertained until the "trade expenses" have been deducted.

Where the Bankrupt has derived an income during the period indicated, from a pension, annuity, rent, or any other source whatever, other than a net profit from carrying on his business (if any), the total amount so derived must be entered opposite to the third item in this list, and the deficiency disclosed in the General Summary must be entered opposite to the following item—No.

Income
from other
sources.

4. When this has been done add together the amounts which have been entered in the money column in the first division of the "Deficiency Account," the total of which must agree with the total of the second division when completed.

Deficiency.

Addition.

Refer next to list "H" to ascertain the loss by bad debts during the period over which the Deficiency Account extends.

Bad debts in
connection
with busi-
ness written
off gross
profits.

It is presumed that all bad debts in connection with the Bankrupt's business have been deducted from the "gross profits" arising from carrying on such business before the net profit (or loss) has been arrived at (see Profit and Loss Accounts), as there can be neither net profit nor loss until such debts have been taken into account; this being the case, it is obvious that no amount which has been deducted from the gross profit should be carried into the money column of the Deficiency Account opposite to item No. 7, and the simplest way in which to furnish the particulars required, and at the same time to surmount an apparent difficulty, is to enter the total loss by bad debts during the period indicated in the inner column of the Deficiency Account, and where the whole of this loss has occurred in connection with the Bankrupt's business, to write immediately below the particulars referred to "which sum has been written off the gross profit arising from carrying on the business," no amount whatever being carried into the money column. (For illustration see Deficiency Account, Appendix "A.") It is, however, possible that losses may have been made by bad debts quite apart from the Bankrupt's ordinary business, and the amount of such losses, not having been

How shown
in deficiency
account.

'Other' bad
debts.

written off the gross profit in connection with the business, would be carried directly into the money column of this account opposite to item No. 7, otherwise the deficiency would not be properly accounted for.

Personal
expenses.

The amount of the Bankrupt's personal drawings and expenses during the period under review must be entered opposite to the next item—No. 8 on list. Where the Bankrupt is a married man add "Wife and — children" (if any) after the words "Household expenses of self and —." The number of children must also be stated. Immediately following this infor-

Other ex-
penses and
losses.

mation give particulars of any other expenses or losses incurred by the Bankrupt during the period under consideration, such, for instance, as losses by fire, interest on investments, estimated loss on realization of property by forced sale, contingent liabilities estimated to rank against the estate, etc.

Balance.

Where the particulars required are properly rendered the two divisions of the account will agree in amount, and the deficiency will be intelligibly accounted for. In the majority of cases, owing to the absence of properly-kept books, and to the Bankrupt's limited knowledge of accounts, the Deficiency Account is largely a matter of estimate. Where the Bankrupt has to resort to the expedient of estimating any of the items he should exercise great care in order to render as complete and accurate a Statement as is possible under the circumstances. It is better to acknowledge defeat than to make reckless statements which cannot be substantiated upon examination.

Estimated
items.

CHAPTER XII.

EXPLANATORY,

IN SUBSTITUTION FOR SUCH OF THE SHEETS NAMED "A" TO "J"

AS WILL HAVE TO BE RETURNED BLANK.

LIST L.

This list will be found useful in estates where the whole of the sheets ("A" to "J") are not required. It is issued in order to avoid the submission of blank forms. The sheets which are not required should be detached and their respective headings entered in list "L," as illustrated on page 36. This list should explain the absence of, and be used in substitution for, such of the sheets named "A" to "J" as would otherwise have to be returned blank. As a general rule, the word "Nil" or "None" written in the remarks column opposite to the heading of each sheet there entered is a sufficient explanation, but it is occasionally advisable to render more complete and satisfactory information, especially where no assets are disclosed.

The absence of property (List "G"), for instance, might be accounted for in various ways, all of which would be more satisfactory than the statement that the Bankrupt has no property, thus:—"All sold under execution a month ago," "All sold under distraint for rent," "All secured (see lists 'B' and 'C')." The explanation most applicable to each particular case will readily suggest itself to the Bankrupt.

The explanatory list on the following page does not form any part of the supposititious Statement of Affairs appearing in Appendix "A," but is given as an illustration of the manner in which list "L" may be used to account for the absence of other sheets.

Creditors
partly
secured.

The amount or debts disclosed in list "C" must be transferred to this sheet in a similar manner to the amount due to full-secured Creditors, the gross liability appearing in the fourth column of the list being inserted in the first and second columns of the Summary, and the estimated value of the securities being entered immediately below the amount of debt set out in the latter column, the difference—being the balance unsecured, which must agree with the amount shown in the last column of list "C"—being extended as an amount expected to rank against the estate.

Other liabilities as per list "D."

The total amount disclosed in list "D" under the heading of "liability or claim" must then be entered in the first and second columns of this Summary, and the amount (if any) expected to rank against the estate for dividend must be extended to the third column.

Liabilities on bills as per list "F."

The Bankrupt's liability on Bills other than his own acceptances and the amount expected to rank against the estate as disclosed in list "F" must be treated in precisely the same manner as the liabilities disclosed in list "D."

Preferential Creditors.

Before transferring the total liabilities to preferential Creditors to this Summary, abstract from list "E" the amounts due for rent, and also for Sheriff's charges (if any), and enter such amounts in the first and second columns of the Summary opposite to the items to which they specifically apply, and in a similar manner transfer the remaining sum disclosed in list "E" as due to preferential Creditors opposite to the item "Rates, taxes, wages," etc.; then add together in column No. 2 the amounts thus transferred, and if the abstract has been properly made the total will agree with the amount of claims appearing in the seventh column of list "E." Immediately below this total and opposite to the words "deduct contra" enter the amount payable in full as disclosed in list "E," provided that there are sufficient assets in the estate to pay such claims in full, then deduct this amount from the former total, and extend the difference (if any) into the third column as an amount expected to rank against the estate. Where no assets are disclosed enter the amount due to the preferential Creditors in the third

Where no assets are disclosed.

column without making any deduction whatever, and where the assets are apparently insufficient to cover the whole of the claims ranked as preferential, deduct such proportion only as the particular circumstances warrant, and enter the balance in column No. 3.

The amount which the preferential Creditors are entitled to be paid in full, or so much thereof as the assets are estimated to cover, must be transferred to the right-hand side of the Summary opposite to the item "Deduct preferential Creditors for rent, rates, taxes, etc., as per contra." Transfer to contra.

To complete the debit side of this account add up the first and third columns, the former of which should show the amount of the Bankrupt's gross liabilities, and the latter the amount which is expected to rank against the estate for dividend. Addition of debit side of summary.

Having summarised the whole of the liabilities, turn to the assets side of this sheet and enter opposite to the first item in column No. 4 the amount of cash (if any) at banker's which the Official Assignee will be entitled to collect, and in order to avoid further enquiry and consequent delay it is advisable to give the name and locality of the Bank where the money is available. Cash at bankers.

Immediately below this item enter the amount of cash in hand on date of bankruptcy. This sum must be paid to the Official Assignee as soon as possible after the Sequestration Order has been made. Cash in hand.

Extend into the outer column (No. 5) the total amount of cash at banker's and in hand. Where all available cash has been disposed of prior to bankruptcy write the word "Nil" opposite to each item having reference to "cash," and on the same principle write "Nil" opposite to each item on this sheet, which would otherwise have to be returned blank.

From list "G" transfer to the Summary the respective amounts entered under sub-divisions *a*, *b*, *c*, *d*, and *e*. Enter the estimated cost of each class of property in the inner column (No. 4), with the total immediately below same, and extend into the outer column (No. 5) the amount which the said property is estimated to produce. Property.

Debts due to
estate.

A summary of the book debts must next be entered. Into the outer money column (No. 5) of this sheet transfer from list "H" the total amount of debts represented to be "good," and in the inner column (No. 4) enter the amounts of the doubtful and bad debts respectively with the united total of same in the spaces provided for that purpose. The amount which it is estimated the doubtful debts will produce must then be extended into the outer money column.

Bills, &c.,
available as
assets.

The total amount of the Bills of Exchange or other similar securities disclosed in list "J" must then be entered in column No. 4 of this Summary, and the amount which these assets are estimated to produce must be carried into the fifth column.

Surplus
from
securities.

The surplus from securities in the hands of Creditors fully secured having already been given—as explained on page 7—add up the outer column in order to ascertain the gross amount which the unsecured assets are estimated to produce; from this total deduct the amount payable in full to the preferential Creditors (as transferred from the debit side of the sheet), and the estimated amount available for distribution amongst the ordinary Creditors will appear. If this amount is less than the total of the liabilities expected to rank against the estate (column No. 3) enter the difference in the fifth column as a "deficiency" to be explained in list "K" (which see); then add the last two amounts together to balance and complete the Summary.

Estimated
amount
available
for distribu-
tion.

Balance.

It occasionally happens that the assets disclosed are in excess of the liabilities expected to rank. When preparing a Statement of this kind write "Nil" opposite to the last item in column No. 4 "deficiency", and on the debit side of the sheet, immediately below the total of the liabilities in column No. 3, enter the apparent surplus, and thus balance the account.

Name, ad-
dress, &c.,
of Bankrupt

At the foot of this tabular Statement or Summary add the name and address of the Bankrupt and the distinctive letters of the sheets containing particulars of his affairs—"A," "B," "C," etc.—and annex such sheets to the said Statement.

When this has been done the Bankrupt must sign the Statement and the several lists thereunto annexed, and swear to, or

affirm, the correctness of same before a person having authority Jurat. to administer an oath, who will subscribe his signature and note the date and place of swearing. This memorandum is termed a jurat, and in it there must be neither erasure nor interlineation.

When this has been completed the original Statement of Affairs must be filed in the Bankruptcy Office, Chancery-square, Sydney, and a copy of the statement should be supplied to the Official Assignee. Statement to be filed.

For information *re* joint and separate statements see chapter on "Partnership Cases."

CHAPTER XIV.

COMPLETE STATEMENT OF AFFAIRS; AND

DEBTOR'S BALANCE-SHEETS.

Thoroughness. The preparation of a Bankrupt's Statement of Affairs in the thorough manner indicated in this manual may appear to many persons to be a formidable task, but where the foregoing instructions are carried out step by step very little difficulty will be experienced in submitting a reliable and intelligible Statement, provided that the necessary materials are available.

Importance. Were the importance and real value of complete and properly-balanced Statements to be more generally recognised and understood, greater care and discrimination would be exercised in their preparation, adjournments of examinations and certificate applications for amended Statements to be filed would then be less frequent, and there would be a consequent saving of the time of the Court and greater satisfaction to all parties interested.

Warning. The severe lessons that many Bankrupts have had to learn through submitting incomplete and badly-prepared Statements of their affairs should act as a warning to others. The fundamental principles to be observed are precisely the same in all cases, and the preceding instructions and suggestions are applicable to every estate, whether large or small.

Accuracy. The object of this work is not to show how little can be done to be passable, but how to do all things prescribed in as perfect a manner as possible, and the closer a Bankrupt's Statement of Affairs is prepared to the lines laid down herein the more accurate is it likely to be.

Exception having recently been taken by the Court to the manner in which balance-sheets are occasionally prepared for submission to Creditors, it may be convenient to point out here that where a Debtor prepares a balance-sheet purporting to show

his financial position, and submits same to his Creditors with the intention of obtaining from them increased accommodation, additional credit, or an extension of time for payment of existing debts, he should be careful to prepare the said balance-sheet in such a manner that no exception could be taken to it by the Court in the event of his subsequent bankruptcy. His assets must not be inflated, neither must any of his liabilities be omitted, and where any of his property is mortgaged the estimated value of such property and the amount of the mortgage debt must be shown. Although it may be done with the best intention, it is not correct to show in a balance-sheet an item of, say, "Real Property, £3,000" as a free asset when the Debtor estimates a property to be worth £10,000, on which there is a mortgage of £7,000; but provided that the amounts are properly stated no exception could be taken to an item of this description appearing as follows:—

Real property	...	...	...	£10,000	
Less mortgage debt	...	...	...	7,000	
				<u> </u>	£3,000

nor could any exception be taken to this item were the mortgage debt to be shown on the debit side and the estimated value of the property on the credit side of the balance-sheet, as the Creditors to whom such balance-sheet was submitted would thus be made aware of the existence of the mortgage debt.

Balance-sheets prepared for submission to Creditors prior to bankruptcy.

CHAPTER XV.

PARTNERSHIP CASES.

How Sequestration Order against firm operates.

Where a Sequestration Order is made against a firm it operates as if it were a Sequestration Order made against each of the respective members, who, at the date of the order, comprised the firm (1); and a separate Statement of each partner's affairs must be filed in the Bankruptcy Office, Chancery Square, Sydney, in addition to a joint Statement showing the liabilities and assets of the partnership (2).

Official Form.

The joint and separate Statements must be made out in the prescribed form (3), which is the same in partnership as in individual cases, and a copy of each Statement should be supplied to the Official Assignee by the Bankrupts (4). The joint Statement should be signed and verified by each partner whenever practicable.

Explanatory affidavit.

It is advisable to file a short explanatory affidavit with the joint Statement of affairs in cases where any of the partners have no separate liabilities or assets.

Sequestration against partners.

No order of sequestration is made against a firm in the firm name, but is made against the partners individually, with the addition of the firm name (5), thus: John Smith and William Jones, trading as John Smith and Company.

Administration of joint and separate estates.

In the administration of joint and separate estates the partnership property is applicable in the first instance in payment of the joint debts, and the separate estate of each partner is applicable in the first instance in payment of his separate debts. If there is a surplus of the separate estates it is dealt with as part of the joint estate. If there is surplus of the joint estate it is dealt with as part

1. Rule 108.
2. Rule 109.
3. Rule 83, Form 13.
4. 51 Victoria, No. 19, Sec. 14 (1).
5. Rule 110.

of the respective separate estates in proportion to the right and interest of each partner in the joint estate (6).

In the preparation of partnership Statements it is impossible to correctly balance the General Summary and Deficiency Account until lists "A" to "J" of the joint and separate Statements have been completed, and any apparent surplus from the joint to the separate estates—or *vice versa*—transferred. Any surplus thus transferred should be entered on list "G" under the heading of "other property," *e.g.*, Transfer from separate to joint estates:—

"Surplus transferred from separate estate of.....£ : : " Transfers ;
how effected

It should also be noted in the General Summary of the separate Statement from which this transfer has been made that the surplus has been transferred to the joint Statement. Where there is a surplus in any joint estate it should be transferred in a similar manner, each partner being credited in list "G" of his separate Statement, with an amount of the joint surplus proportionate to his right and interest in the firm (6).

• Where a Sequestration Order is made against one partner of a firm, a Creditor to whom the Bankrupt is indebted jointly with the other partners of the firm, or any of them, is not entitled to receive any dividend out of the separate property of the Bankrupt until all the separate Creditors have received the full amount of their respective debts (7).

Where the Bankrupt has a partnership interest in a solvent firm such interest should be disclosed as an asset in his estate and should appear in list "G" under the heading of "other property."

Where trust moneys have been misappropriated by a firm, one of the partners in which is one of the trustees, it has been held that in case of bankruptcy of the firm the trustees could prove for the amount so misappropriated both against the joint estate of the firm and also against the separate estate of the defaulting trustee (8).

6. 51 Victoria, No. 19, Sec 48 (3).

7. " " Sec. 72 (1).

8. *In re Parker and Parker, ex parte Sheppard*, 4 Mor. 135.

Every partner's liability unlimited.

Important to determine who are liable as partners.

Rate of interest varying with profits.

Share of profits by way of remuneration

Portion of profits by way of an annuity.

Portion of profits in consideration of sale of goodwill.

In ordinary trading firms every partner is liable jointly with the other partners for all debts and obligations of the firm incurred while he is a partner, and there is no limit whatever to his liability in respect of such debts except by express agreement with the Creditors. In the preparation of a Statement of Affairs it is therefore important to determine who are liable as partners. Every case must be decided on its own merits. The receipt by a person of a share of the profits of a business does not of itself create a partnership, the following cases being expressly provided for by the Partnership Amendment Act (9) :—

(a) The advance of money by way of loan to any person engaged or about to engage in any trade or undertaking upon a contract in writing with such person that the lender shall receive a rate of interest varying with the profits or shall receive a share of the profits arising from carrying on such trade or undertaking shall not of itself constitute the lender a partner with the person or persons carrying on such trade or undertaking, or render him responsible as such.

(b) No contract for the remuneration of a servant or agent of any person engaged in trade or undertaking, by a share of the profits of such trade or undertaking, shall of itself render such servant or agent responsible as a partner therein, nor give him the rights of a partner.

(c) No person being a widow or child of the deceased partner of a trader, and receiving by way of annuity a portion of the profits made by such trader in his business shall, by reason only of such receipt, be deemed to be a partner or to be subject to any of the liabilities incurred by such trader.

(d) No person receiving by way of annuity or otherwise a portion of the profits of any business in consideration of the sale by him of the goodwill of such business shall by reason only of such receipt be deemed to be a partner or be subject to the liabilities of the person carrying on such business.

(e) In the event of any such trader as aforesaid having his estate placed under sequestration or entering into an arrangement to pay his Creditors less than twenty shillings in the pound, or dying in insolvent circumstances, the lender of any such loan as aforesaid shall not be entitled to recover any portion of his principal or of the profits or interest payable in respect of such loan, nor shall any such vendor of a goodwill as aforesaid be entitled to recover any such profits as aforesaid until the claims of the other Creditors of the said trader for valuable consideration shall have been satisfied.

Effect of
Sequestra-
tion Order.

CHAPTER XVI.

PROPERTY NOT DIVISIBLE AMONGST CREDITORS.

In the administration of an estate in Bankruptcy certain properties and interests are not divisible amongst the Bankrupt's Creditors, *viz.* :—

Property held on trust

(a) Property held by the Bankrupt on trust for any other person (1).

Tools of trade, wearing apparel and bedding

(b) The tools (if any) of his trade and the necessary wearing apparel and bedding of himself, his wife and children, to a value not exceeding £20 in the whole (2). Subject to the assent or dissent of the Creditors, the Official Assignee may allow the Bankrupt to retain his tools of trade and wearing apparel of himself, his wife and children, or some specified part thereof, above the value of £20 (3).

Household furniture.

In addition to the particulars above mentioned, the Creditors may determine whether the Bankrupt shall be allowed to retain his household furniture and personal effects, or some, and what part thereof (4), but such directions must be subsequently submitted to the Court for ratification or otherwise (5). Other portions of the estate may also be allowed to the Bankrupt if the Creditors so resolve, and their directions are subsequently approved of by the Judge (3). Where resolutions allowing the Bankrupt to retain more than his household furniture and personal effects have been carried at a meeting of Creditors, it has been

Creditors' directions must be submitted to Court for approval.

Notice to be served on Creditors.

held that notice of the Bankrupt's intention to apply to the Judge for approval of the directions should be served on the Creditors (6).

1. 51 Victoria, No. 19, Sec. 52 (1).

2. " " Sec. 52 (2).

3. " " Sec. 16 (3).

4. " " Sec. 16 (2).

5. *In re* Cullen. Salusbury 348.

See also Salusbury 41.

6. *In re* Lane, I. B.C. 69.

Under the Life Assurance Encouragement Act of 1862 (7) Life policies and endowments. the property and interest of every person who has effected or shall hereafter effect any policy or contract with any Insurance Company for an assurance *bona-fide* upon the life of himself or any other person in whose life he is interested, or for any future endowment for himself or any other such person, and the property and interest of the personal representatives of himself or such other person in such policy or contract, or in the moneys payable thereunder or in respect thereof, shall be exempt from any law now or hereafter in force relating to insolvency or bankruptcy, or to be seized or levied upon by or under the process of any Court whatever, provided that a policy or contract for a life assurance or endowment shall not be so protected until the policy or contract shall have endured for at least two years, after which period such protection Extent of protection. shall be afforded to the extent of £200 of assurance or endowment; and after an endurance of five years to the extent of £500; and after an endurance of seven years to the extent of £1,000; and after an endurance of ten years to the extent of £2,000; and in every such case the contributions made towards the same shall also be protected, provided also that no policy for an annuity nor the contributions made towards the same shall be Annuities. protected until the payments made on behalf of such annuity shall have extended over a period of at least six years prior to the commencement of the annuity, and that such annuity shall not exceed the sum of £104 per annum; provided further that the protection Proviso. hereby afforded shall in the case of an annuity accrue only to the benefit of the actual annuitant, and only to such part thereof as shall be payable after such annuitant shall have attained the age of fifty years, and in the case of an endowment for the benefit only of the nominee, and in the case of a life assurance for the benefit only of the personal representatives of the assured, and in no case for any assignee of the assured.

The provisions described in the preceding paragraph also apply to annuities and endowments in course of payment or to

7. 26 Victoria, No. 13, Sec. 2. See also

51 Victoria, No. 19, Secs. 120 and 48 (5).

become payable under Part III. of the Friendly Societies Act of 1873 (8), and in every such case the contributions or subscriptions made towards the same are in like manner protected, provided that such annuity, endowment, or contributions shall have endured for a period not less than two years.

Wedding presents given to a married woman.

It has been held that wedding presents given to a married woman on her marriage are her separate property, and in the event of the subsequent bankruptcy of her husband, cannot be claimed by the Official Assignee or trustee (9).

Sydney Stock Exchange. Rights and privileges of members.

The rules of the Sydney Stock Exchange provide that "the rights and privileges of every member shall be personal to himself, and shall not be transferable by operation of law nor by his own act, except as provided by the said rules" (10); also that "every member shall have an interest in his membership, but he shall have no power to, and shall not, encumber or assign the same by way of mortgage; and the Sydney Stock Exchange shall have a preferential lien thereon for any debt or debts owing by the said member to the said Sydney Stock Exchange or to any member or members thereof (11).

Actions for personal injury, &c.

A Bankrupt is permitted to continue in his own name and for his own benefit any action or proceedings commenced by him previous to his bankruptcy for any personal injury or wrong done to himself or to any member of his family (12).

Full disclosure of all property to be made.

When submitting a Statement of Affairs a full disclosure of all property in possession, reversion, or expectancy should be made by the Bankrupt (13), although he may not consider the property of any value to the estate (14).

8. 37 Victoria, No. 4, Secs. 48. See also

51 Victoria, No. 19, Sec. 48 (5).

9. *In re Jamieson, ex parte Pannell*, 6 Mor. 24.

10. Rule 37 of Sydney Stock Exchange.

11. Rule 38 " "

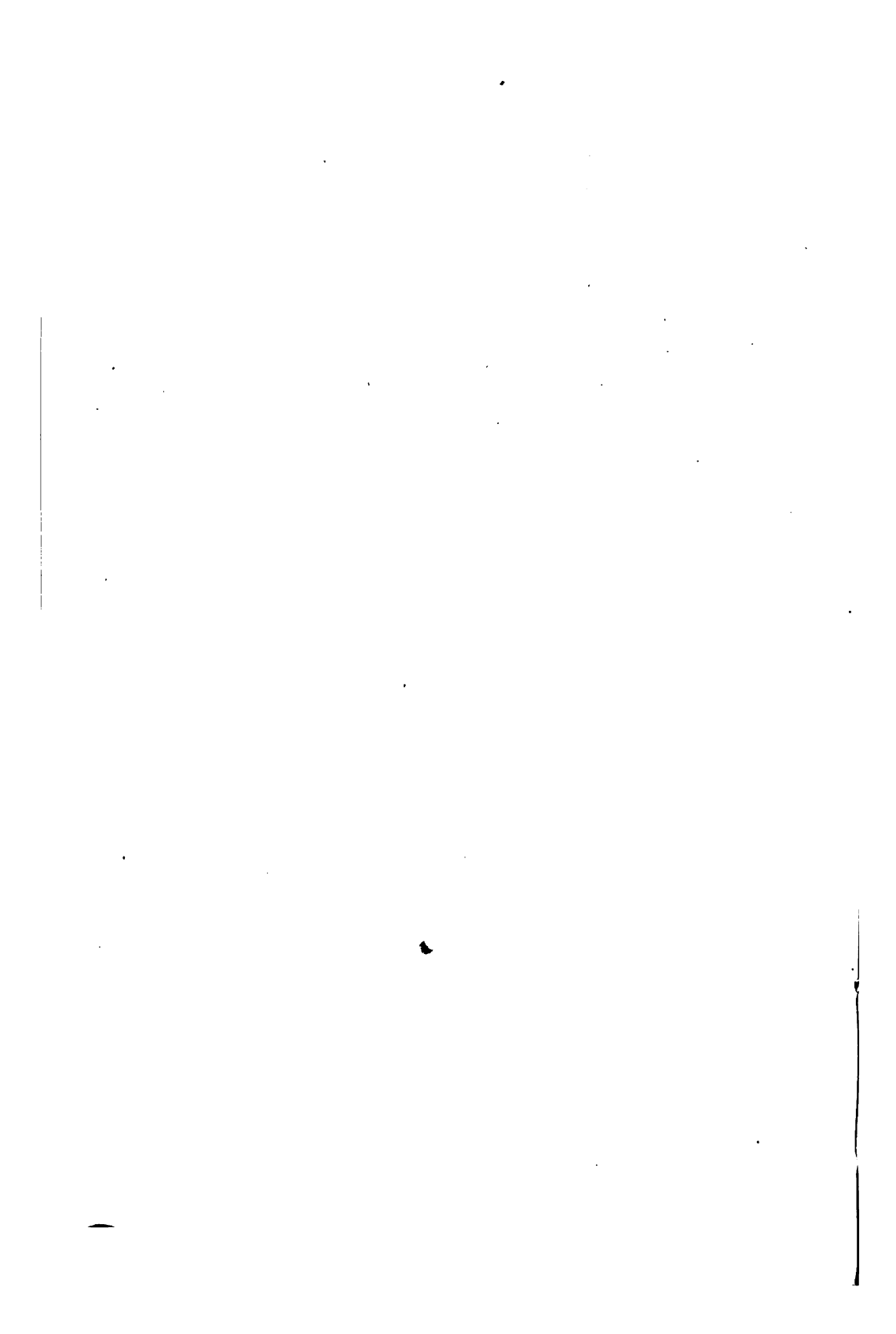
12. 51 Victoria, No. 19, Sec. 10 (6).

13. " " Sec. 38 (i).

14. *In re Weeks*, II. B.C. 9. (*Vide* Chap. I.)

PART II.

BOOKS AND ACCOUNTS.



CHAPTER XVII.

Books.

All books of account, and other documents and writings in the possession or power of a Bankrupt relating to his estate and dealings, must be delivered to the Official Assignee as soon as possible after the Sequestration Order has been made (1).

Books, &c. to be delivered to the Official Assignee.

The Official Assignee will give a receipt for all books lodged with him, specifying the same; such receipt will be in duplicate, and such duplicate must be signed by the Bankrupt as correct and returned to the Official Assignee, who will lodge it in the Bankruptcy Office (2).

Receipt for books will be given.

Every Bankrupt in the country districts, if unable to personally deliver his books to the Official Assignee, should, immediately after a Sequestration Order has been made against him, hand over to the nearest District Registrar in Bankruptcy all his books of account, vouchers, and other documents relating to his estate and dealings; and the said District Registrar will receive the same on behalf of the Official Assignee, and will give a receipt for all such books and papers lodged with him by the Bankrupt specifying the same in the same manner as if the books had been handed by the Bankrupt to the Official Assignee. The duplicate receipt when signed by the Bankrupt as correct will be forwarded by the District Registrar to the Official Assignee (3).

Books in country districts.

No person as against the Official Assignee or trustee is entitled to withhold possession of the books of account belonging to a Bankrupt or to set up any lien thereon (4). It has, however, been held that this Rule was intended to apply to a case where a person not entitled to the debts sets up some claim to the books,

No lien on bankrupt's books.

1. 51 Victoria, No 19, Secs. 14 (3) and 59 (1).
2. Rule 8 of 25th March, 1891.
3. Rule 1 of 8th June, 1894.
4. Rule 143.

and that an assignment of the book-debts will carry the books, so that the person entitled to the book-debts under the deed is entitled to the books of account (5).

Misde-
meanours.

A Bankrupt who, with intent to defraud his Creditors or dishonestly to conceal the state of his affairs, or otherwise to violate or defeat the law, will in each of the following cases be guilty of a misdemeanour, and will be liable to imprisonment with or without hard labour for any time not exceeding three years (6):—

- (a) If he does not deliver to the Official Assignee or trustee, or as such Official Assignee or trustee directs, all books, documents, papers and writings under his control relating to his property or affairs (7).
- (b) If after sequestration he prevents the production of any book, document, paper, or writing relating to his property or affairs (8).
- (c) If, whether before or after sequestration, he conceals, destroys, mutilates, falsifies, or is privy to the concealment, destruction, mutilation or falsification of any book or document relating to his property or affairs (9), or makes, or is privy to making a false entry in any book or document relating to his property or affairs (10), or parts with any such book or document, or alters or makes any omission therein (11).

Report on
certificate
application
re books.

In every report on a certificate application the Official Assignee is required to state either that the Bankrupt did keep proper books in the business or occupation carried on by him, and the name and character of such books, or if the Bankrupt did not keep proper books he must specify the books which in his opinion should have been kept, and also state clearly the names and characters of those which the Bankrupt has omitted to keep (12).

5. *In re White & Co., ex parte* the Official Receiver, 1 Mor. 77.

In re Fischer, ex parte the Official Assignee, 1 B.C. 30.

6. 51 Victoria, No. 19, Sec. 122.

7. " " Sec. 122 (c).

8. " " Sec. 122 (g).

9. " " Sec. 122 (h).

10. " " Sec. 122 (i).

11. " " Sec. 122 (j).

12. Rule 6 of 25th March, 1891.

Where the Bankrupt has omitted to keep such books of account as are usual and proper in the business or occupation carried on by him, and as sufficiently disclose his business transactions and financial position within the three years immediately preceding the bankruptcy (13), such omission will be regarded as a sufficient ground for a suspension of his certificate of discharge (14). It will be no excuse that his business was a cash business (15) or that he did not know how to keep books properly. Neglect to keep books is on the part of a person who comes into the Bankruptcy Court a serious offence, and the sooner it is known that it is a serious offence the better it will be for the community (16). It has been held that keeping books includes the preserving of them, and it is regarded as a case of not keeping books where they have passed under a bill of sale or assignment and the Bankrupt is unable to produce them when he comes into Court (17).

Omitting to keep usual and proper books.

Neglect to keep books a serious offence.

The disadvantages arising from incomplete and imperfect systems of book-keeping are frequently illustrated in the Bankruptcy Court, where the opinion has been expressed that any man who is fit to trade ought to see that his books are entered up to date and that they are properly balanced from time to time (18). It is not enough that there should be books, with entries in those books which would take an accountant an interminable time to make out—that is not keeping books (19). It has been clearly and often laid down that a trader's books must be kept in proper order and balanced from time to time, and must be in such a state as to show at once, without the necessity of a prolonged investigation by a skilled accountant, the real state of affairs (20).

Disadvantages arising from imperfect systems of book-keeping.

Traders' books must be kept in proper order and balanced from time to time

13. 51 Victoria, No 19, Sec. 38 (a).

14. " " Sec. 37 (3).

15. *In re* Dawbarn, I. B.C. 48.

16. *In re* Burrett, I. B.C. 13.

17. *In re* Hogan, "S.M. Herald," 19 June, 1894. (See p. 57) *

18. *In re* Quigley, III. B.C. 79.

19. *In re* Reed, Bowden & Co., 3 Mor. 102.

20. *In re* Quigley, III. B.C. 79.

In re Heap *ex parte* Board of Trade, 4 Mor. 314.

In re Goodsell, II. B.C. 49. See also

Salisbury on bankruptcy, pp. 73 to 76.

Perfect
system.

Nothing less than a perfect system of book-keeping will reveal the true state of affairs of any business in the manner indicated; but the system need neither be elaborate nor complex. What every trader should endeavour to acquire is a simple but perfect system, easily put into practice and involving a minimum amount of time and labour. Traders, and especially those whose knowledge of book-keeping is limited—would often save themselves and others much time, trouble and annoyance were they to obtain the opinion of a skilled accountant with reference to the class of books best adapted to their particular business, and to submit such books from time to time for his examination and advice.

Suggestion
to traders
with limited
knowledge
of book-
keeping.

It has been held that the proper keeping of books is of primary importance, and that a person is most reckless who does not keep proper books. It shews that a trader is utterly regardless of anyone but himself (21).

Necessity
for keeping
books not
confined to
traders.

The necessity for keeping books is not now confined to traders, but is extended to every occupation in which it is usual to keep books (22). The books necessarily vary according to the business or occupation of the Bankrupt, and it is not the purport of this work to determine what books are usual and proper in every case. It may, however, be convenient to point out here that the principal books required by a trader in order to record his business transactions in a proper manner are: a Cash Book, in which particulars of all cash received and paid and discounts received and allowed should be entered; a Day Book, which should contain a daily record of all goods sold on credit; an Invoice or Purchase Book for particulars of goods bought on credit—(it is advisable to number and file the invoices in consecutive order; where this is done it will not be necessary to enter full particulars of goods purchased in this book, the date, name, and total amount of each invoice being usually sufficient if the corresponding number is given for the purpose of facilitating reference); a Stock Book (23), which should contain an inventory of all goods on hand at the time of taking stock—(the stock

Cash Book.

Day Book.

Invoice
Book.

Stock Book.

21. *In re Wallace, ex parte Campbell* and others, 2 Mor. 170.

22. 51 Victoria, No. 19, Sec. 38 (a).

23. *In re Goldstein*, IV. B.C. 18.

should be taken at least once in each year); a Bill Book, in which particulars of all Bills of Exchange and Promissory Notes receivable and payable should be entered; and a Ledger, or Ledgers, containing a classification of all the entries in the other financial books.

Bill Book.

A Journal and a number of subsidiary books may also be found useful, but if the books above referred to are properly kept and balanced from time to time they will sufficiently disclose a trader's business transactions and financial position to satisfy the requirements of the Bankruptcy Court.

Journal and
Subsidiary
Books.

With non-traders books of record equivalent to the Day Book should be kept, in addition to a Ledger and Cash Book.

Non-
trader's
Books.

In every business or occupation in which it is usual to keep books of account it is a fallacy to suppose that a Debtor's Bank Pass Book, cheque butts, and vouchers will be accepted by the Court as sufficient evidence of his financial transactions. Unless the information required is entered in his *own* books—irrespective of anything that may be entered in those kept by the Bank—his certificate of discharge will invariably be suspended.

Bank Pass
Book not
sufficient
evidence.

* *Re* Hogan. Certificate application: "No books were handed over to the Official Assignee, as they passed under a Bill of Sale. The Bankrupt incurred debts after giving a Bill of Sale over all his assets. The Registrar, in suspending the certificate for 12 months, said that when people assigned their estates, or gave a Bill of Sale over their estate, they should preserve their books for the Creditors in case they came into bankruptcy. He would look upon it as a case of not keeping books if a man had not got his books when he came into bankruptcy. The keeping of books included the preserving of them."—*Sydney Morning Herald*, 19th June, 1894.

CHAPTER XVIII.

ACCOUNTS UNDER RULE 138.

INTRODUCTORY.

Trading Accounts.	In addition to the Statement of Affairs referred to in the preceding pages, the General Rules in Bankruptcy prescribe that the Bankrupt shall, on the request of the Official Assignee, within ten days after being so required, furnish him with Trading and Profit
Rule.	and Loss accounts, and a Cash and Goods Account for such period not exceeding two years prior to the date of the Sequestration Order as the Official Assignee shall specify (1).
To be verified and filed.	All accounts furnished by the Bankrupt under these rules must be verified by affidavit (2) and filed in the Bankruptcy Office, Chancery Square, Sydney (3).
Forms re- commended	It is advisable to prepare these accounts on foolscap for convenience of filing with the official documents ; there are no printed forms for this purpose, but those given in Appendix "B" are recommended, with such variations as circumstances may require.
When re- quired.	Where trading accounts are required by an Official Assignee the Bankrupt is usually requested to furnish same before his public examination is concluded. If this request is not complied with within a reasonable time, or if the Official Assignee requires accounts to be furnished for a longer period than two years, an application may be made to the Court for an Order in the following terms :—

RULE 138.

In the Supreme Court of New South Wales. }

IN BANKRUPTCY. }

Re

No.....

Order.

ORDER.

Upon the application of the Official Assignee herein, I do order that the abovenamed Bankrupt do verify and file in the Office of this

1. Rule 138.
2. Rule 7, 11 December; 1889.
For form of affidavit see Appendix "B."
3. Rule 9, 25 March, 1891.

Honorable Court, on or before the day of , the
trading accounts for years, in accordance with the abovenamed
Rule, already required by the Official Assignee.

Dated this day of , 189 .

.....
Registrar in Bankruptcy.

Where an Order to file accounts has been served upon the Bankrupt, and he neglects to comply with same without sufficient cause being shown, he will be guilty of contempt of Court, and may be punished accordingly. Where the Bankrupt is unable to comply with the order in its entirety he should endeavour to furnish an account showing particulars of all cash received and paid away by him, or by any other person on his behalf, during the period referred to in the said Order. Where satisfactory Cash Accounts are filed the Trading and Profit and Loss Accounts are occasionally dispensed with, as it frequently happens that the materials necessary for furnishing the latter accounts are not available owing to the absence of properly-kept books, but, however limited a Bankrupt's knowledge of book-keeping may be, he ought to be in a position to furnish a substantially correct account of his receipts and payments during the two or three years immediately preceding the sequestration of his estate. Where it is impossible for him to prepare any accounts whatever, as, for example, where his books have not been preserved for his Creditors, or where he has failed to keep any books, and he is unable to obtain the information required from any other source, it is advisable for him to file an affidavit in the Bankruptcy Office setting out briefly but clearly the reason of his non-compliance with the Order; but this should only be done under exceptional circumstances and after every attempt to obtain the particulars required has failed.

Non-compliance with Order.

Cash Account.

Trading and Profit and Loss A/cs. occasionally dispensed with

Affidavit in lieu of Accounts.

CHAPTER XIX.

TRADING ACCOUNT.

Importance
frequently
overlooked.

This is a very simple account to prepare where books have been properly kept; but its importance is frequently overlooked, especially amongst small traders, who are consequently not in a position to state with any degree of certainty whether their sales for any given period have resulted in a gross profit or otherwise. If a gross profit has been made they have no means of ascertaining the amount of same, and, therefore, cannot calculate what is a safe margin to allow for trade expenses and personal drawings. All this uncertainty could be avoided with but little additional trouble, for which every trader would be amply rewarded.

Debit side
of account.

The first item to be entered on the debit side of a Trading Account is the value of the stock on hand at the commencement of the period embraced in the account; immediately below this item insert the total amount of the stock subsequently purchased—at cost price. For the purpose of this account it is immaterial whether the goods have been paid for or not. The expenditure on productive labor, and any other expenses tending to increase the value of the stock, should also be inserted on the same side of the account, and on the same principle as the particulars above referred to. Salaries of clerks and shopmen do not appear in this account, but are included in the trade expenses in the Profit and Loss Account.

Items to be
omitted
from this
account.

Credit side
of account.

On the credit side of the Trading Account enter the total amount of goods sold during the period indicated—at the prices realized—whether the goods have been paid for or not, also enter the value of the stock on hand at the close of the said period, then add each side of the account separately, and if the credit side is the larger of the two enter the balance on the opposite side of the account as a "Gross Profit," to be transferred to the Profit and Loss Account, but reverse this order if the debit side is the larger

How to
balance the
account.

of the two, as the account would then show a loss. For a practical illustration of the manner in which a Trading Account should be prepared see Appendix "B."

The above instructions apply to Trading Accounts generally, whether the same are prepared for a trader's own guidance and information or at the request of an Official Assignee. Where Trading Accounts are prepared in bankruptcy proceedings refer to the Bankrupt's stock account—or balance-sheet (if any)—and ascertain as correctly as possible the amount of stock on hand at the commencement of the period indicated in the Official Assignee's requisition. Where the value of the stock on the date referred to is not disclosed in the Bankrupt's books or accounts it is advisable to commence from the nearest possible date on which his financial position can be ascertained with a reasonable degree of accuracy. For instance, if accounts were ordered to be filed for (say) two years preceding the 25th August, 1894, and the stock had been taken early in July, 1892, there would be no objection to the accounts commencing from the earlier date. The value of the stock at the close of the account must agree with the amount disclosed in list "G" of the Bankrupt's Statement of Affairs.

Where further particulars are required with reference to "goods," and a detailed Goods Account is demanded, it may be prepared in a similar manner to the Cash Account, "goods" being substituted for "cash," purchases and sales taking the place of receipts and payments. It is very seldom, however, that an account of this description is filed, the Trading Account being generally accepted as sufficient evidence of a Bankrupt's transactions in "goods."

CHAPTER XX.

PROFIT AND LOSS ACCOUNT.

- Credits.** Where a gross profit is shown on the trading operations during the period included in the preceding account it should be carried to the credit of the Profit and Loss Account. The amount of any other gains which may have accrued in connection with the Debtor's business should also be credited to this account, and
- Debits.** against these amounts should be charged the general expenses incidental to carrying on the business, also allowances for doubtful and bad debts, depreciation of plant, machinery, etc., during the said period.
- Total loss.** Where the Trading Account shows a loss the amount of same must be transferred to the debit of the Profit and Loss Account, in order that the total loss may be ascertained.
- Items to be taken into account.** In the preparation of this account credit must be taken for every item of income or profit whether actually received or not, and on the same principle the account must be debited with every item of expenditure or loss attaching to the period under review,
- Omission.** with one exception, *i.e.*, expenditure tending to increase the value of the stock, which must be treated in the manner indicated in the preceding chapter.
- How to balance the account.** After entering all the debits and credits add up each side of the account, and if the credit side is the larger of the two enter the balance, *i.e.*, the net profit from trading, on the opposite side of the account; but if the debit side is the larger of the two enter the difference, *i.e.*, actual loss, to contra, and thus balance the account.
- Capital account.** Where the business is a lucrative one it is usual to transfer the net profit shown in this account to the credit of a Capital Account, which latter account is then debited with personal
- Partnership Cases.** drawings. In partnership cases the net profit is transferred to the credit of the various partners, Capital Accounts in proportion to their respective interests in the business, each partner being also debited with the amount drawn by him during the period

under consideration; but where accounts are prepared in bankruptcy proceedings it is generally presumed that the whole of the capital, *i.e.*, the excess of assets over liabilities, has been exhausted. It is, however, quite possible for a person to have made a net profit from carrying on a particular business, and at the same time to have made a considerable loss when the whole of his transactions are taken into account. This is clearly illustrated in the accounts given in Appendix "B," where the stock on hand is calculated at cost price to agree with list "G" of the Statement of Affairs, and a gross profit of £1,292 3s. 6d. is shown in the Trading Account. This amount is reduced in the Profit and Loss Account after deducting the usual trade expenses, discounts, allowances, and bad debts, to a net profit of £243 7s. 5d., although the Statement of Affairs shows a deficiency of £946 8s. 3d., and in order to explain this apparent discrepancy a reconciliation with the Deficiency Account "K" is given, in which the private drawings and expenses of the Bankrupt and interest on investments are debited, in addition to the estimated loss by forced sale of stock, etc. (as appears by list "G" of the Statement of Affairs), and the amount which the contingent liabilities are estimated to rank against the estate (as appears by lists "D" and "F"). This Reconciliation Account is then credited with the net capital at the commencement of the period under consideration, the net profit arising from carrying on the business, and rent from investments during such period, to which is added the "deficiency" appearing in the Statement of Affairs, in order to balance the account.

Net profit
from trad-
ing con-
verted into
actual loss.

Reconcile-
ment.

Debits.

Credits.

Deficiency.

In the accounts illustrated in Appendix "B" no sum has been written off the first part of the Profit and Loss Account for depreciation of plant, it being presumed that the plant has been maintained out of the general expenses there charged, and the depreciation in value of plant written off the second part of the said account is the estimated loss by forced sale in consequence of the bankruptcy, and not an actual depreciation of the property which would have been taken into account had the Debtor continued to carry on his business in the ordinary way.

Explanatory.

CHAPTER XXI.

CASH ACCOUNT.

Material
difference
between
this and
preceding
accounts.

Amounts to
be taken
into consi-
deration.

Summa-
rised totals
insufficient.

What is
required.

Information
in books not
sufficient.

Particulars
required
must be
copied out.

The Cash Account is prepared on a totally different basis to either of the preceding ones. In the preparation of the Trading and Profit and Loss Accounts purchases and sales and all items of profit and loss are included, irrespective of the question as to whether or not the various items have been received and paid, but in this account the only items to be taken into consideration are the *actual* receipts and payments during the period embraced and the amount of cash standing to the credit, or debit, of the Bankrupt at the commencement and close of that period.

It is also important to note that, whereas in the Trading and Profit and Loss Accounts the various items specifically referred to are entered in a condensed form, the respective totals only being given, this account treats of all receipts and payments in detail; for example, it is insufficient to state that the cash on hand at the commencement of the account was (say) £100, subsequent receipts £900, and total payments £1,000. Full particulars with reference to these amounts must be given. What is required is an account of all sums received by the Bankrupt, or any one for his use, and when in particular, and from whom, and for what consideration; also an account of all sums paid by him or by his order, and when in particular, and to whom, and for what purpose and consideration.

The Bankrupt must not content himself with the erroneous opinion held by some persons that where the information required is contained in his books he has fulfilled his duty so soon as he hands those books to the Official Assignee, neither should he abstract from his books the folios containing the particulars referred to and submit same as his Cash Account. However lengthy this account may be, it should be carefully copied out on foolscap, verified by affidavit, and filed in the Bankruptcy Office,

and the books must be handed intact to the Official Assignee or to his representative. (See chapter on "Books.")

Books must be handed to O. A. intact.

Another important matter, and one that is frequently overlooked, is the balancing of the account. It should be self-evident that a person cannot pay away during a specified period a larger sum than he receives unless at the commencement of that period he had a balance to his credit, nevertheless it is by no means an uncommon occurrence for Bankrupts to allege in their Cash Accounts that their payments have largely exceeded their receipts—in some instances by several thousand pounds—without any attempt being made to account for the discrepancy. In order to avoid errors of this description, it is important to ascertain what was the state of the Bankrupt's account at the commencement and also at the close of the period covered by this Statement. Where he had a cash balance at the commencement of the period referred to the amount of such balance should be entered as the first item on the receipts side of the account, thus: Amount of cash on hand, £ : : , and where he had any cash on hand or in a Bank at the date of the Sequestration Order the amount of same should appear as the balancing item at the close of the account. This amount, which should agree with the cash disclosed in the General Summary of the Bankrupt's Statement of Affairs, must be handed to the Official Assignee immediately after the Sequestration Order has been made. It frequently happens, however, that all available cash having been exhausted for current needs prior to the bankruptcy, the balancing item consists of a Bank overdraft, and in the omission of this item from the Cash Account the error made by many Bankrupts in showing an excess of payments over receipts chiefly lies, as they overlook the fact that in obtaining an overdraft they *receive* a certain amount of money from the Bank. It is immaterial for the purpose of this account whether the Bank hold any securities or not, as that will appear by the Statement of Affairs. On which side of the Cash Account particulars of the overdraft must appear will depend entirely upon the increase or decrease of such overdraft during the period under consideration, *e.g.*, where there was an

Balancing.

Excess of payments over receipts.

How to avoid certain common errors.

Cash at commencement of account.

Cash at close of account.

Compare with Statement of Affairs.

Overdraft.

Securities.

On which side of A/c. overdraft should be entered, and how.

overdraft of (say) £500 at the commencement and £800 at the close of the said period the amount should be entered as the last item on the receipts side of the account, thus:—

Bank of ——— overdraft on this date...	£800
Less amount of overdraft at commencement	
of this account	£500
	£300

thus showing clearly that an additional sum of £300 has been received from the Bank; but if these figures were reversed, the overdraft during the said period would have been reduced by £300, *i.e.*, the amount received by the Bank would have been £300 in excess of the withdrawals and charges, and as such should appear on the payment side of the account, thus:—

Bank of ———; amount of overdraft at	
commencement of this account ...	£800
Less amount of overdraft on date of Bank-	
ruptcy	£500
	£300

Bank charges.

Bank charges for interest, etc., should be entered as payments, otherwise it will be impossible to properly balance the account.

Cash sales.

It is usual to enter the weekly totals of cash sales thus:—
Jan., 1/6, Sundry persons, cash sales, £ : : ; but where the cash business has been an extensive one further details may be given.

Double and single money columns.

Illustration.

Cash Accounts are occasionally made out on foolscap with double money columns, one column being utilized for actual cash transactions, and one for banking items. The simplest form, however, and one that will commend itself to the majority of Bankrupts, appears in Appendix "B." A careful perusal of the Cash Account there given, in which some of the most familiar items are included, will afford assistance to the Bankrupt requiring further information as to how his receipts and payments should be treated. It has been considered unnecessary to give more than one week's transactions in detail, but the above remarks apply in all respects, whether the account covers a short or long

period. When the whole of the items have been entered each side of the account must be added up; it is immaterial whether these additions are extended throughout the whole of the account or each month's transactions are added up separately. If the latter course is adopted a summary of the monthly receipts and payments must be given at the end of the account.

Additions.

Summary of
monthly
totals.

Where the particulars extend over several sheets the form of memorandum given at the foot of the supposititious Cash Account in Appendix "B" must be altered in the following manner:—
 "This *and the preceding — sheets are* the paper writings marked — referred to in the annexed affidavit of — —," etc. This memorandum should be entered on the last sheet, to be signed by the person before whom the affidavit verifying the accounts is sworn.

Form of me-
morandum
where par-
ticu-
lars
extend over
several
sheets.

For particulars with reference to transactions in "goods" see chapter on "Trading Account," page 61.

Goods A/c.

CHAPTER XXII.

SUPPLEMENTARY STATEMENT OF BANKRUPT'S AFFAIRS.

Rule 72 Sup-
plementary
Statement.

Rule 7 of the 25th March, 1891, prescribes that "The Bankrupt shall, if required by the Official Assignee, within ten days after being so required (or such extended time as the Judge or Registrar may allow) make out and file in the Bankruptcy Office a verified Statement containing the following particulars for the period of six months preceding the sequestration (or, if the Judge or Registrar shall so order, for any longer period), that is to say :

Cash A/c.

First, an account of all sums received by the Bankrupt, or any one for his use, and when in particular, and from whom, and for what consideration ; and an account of all sums paid by him, or by his order, and when in particular, and to whom, and for what purpose and consideration ; secondly, an account of all property of any kind parted with by the Bankrupt, and when in particular, and how, and to whom, and for what consideration."

Account of
property
parted with.

From whom
required.

It is customary to require these particulars from Bankrupts who have not been engaged in business during any portion of the two years preceding the date of the Sequestration Order ; but traders are also occasionally required to furnish Supplementary Statements under the above rule in lieu of Trading Accounts under Rule 138. Upon application being made to the Court by the Official Assignee, the period to be included in this Supplementary Statement is usually extended to two years, an Order in the following terms being made :—

In the Supreme Court
of
New South Wales.
IN BANKRUPTCY.

Re

No.....

Order.

ORDER.

Upon the application of the Official Assignee herein, I do order that the abovenamed Bankrupt do verify and file in the Office of this

Honorable Court, on or before the day of , a
 Supplementary Statement of his affairs for the months pre-
 ceding the sequestration herein in accordance with the above rule.

Dated this day of , 189 .

.....
 Registrar in Bankruptcy.

An illustration of the first part of this Supplementary State-
 ment is given in Appendix "C." It is prepared in a similar
 manner to the Cash Account referred to in the preceding chapters
 a perusal of which will render further explanation unnecessary. First part
illustrated.

The particulars required to be furnished in the second part
 of the Statement are clearly set out in the above rule. All pro-
 perty parted with by the Bankrupt within the period indicated in
 the Order, whether by sale, assignment, gift, or otherwise, should
 be included in this account. A convenient form is given in
 Appendix "C," to which attention is directed. Second part
illustrated.

PART III.

APPENDICES.

APPENDIX A.

DEBTOR'S PETITION, AFFIDAVIT,

AND

STATEMENT OF AFFAIRS.

ILLUSTRATED.

In the Supreme Court of }
 New South Wales. } No.
 IN BANKRUPTCY.

Re *John Smith.*

Ex parte the Debtor.

I, *John Smith,*

now residing at *Alfred-street, St. Leonards,*

by occupation a *Storekeeper,*

having for the greater part of the past six months resided at

Burwood

and carried on

business at *896 George-street, Sydney,*

within the Colony of New South Wales, and being unable to pay my debts, hereby petition the Judge in Bankruptcy that a sequestration order be made in respect of my estate, and that I may be adjudged bankrupt.

Dated the *25th* day of *August*, A.D. 189 *4*.

Signed by the Debtor in my presence, *JOHN SMITH.*

William Brown,

Address *Chancery Square, Sydney.*

Description *A Commissioner for Affidavits.*

Filed the *25th* day of *August*, A.D. 189 *4*.

On the petition of the Debtor himself filed the

day of *A.D. 189* , and numbered

a sequestration order is hereby made against the above-named

and Mr.

an Official Assignee, is hereby

constituted Official Assignee of the estate of the said

DATED this

day of

A.D. 189 .

The Registrar in Bankruptcy.

In the Supreme Court of
 New South Wales. } No.
 IN BANKRUPTCY.

Re *John Smith*

Ex parte the Debtor

I, *John Smith*,

of *Sydney*

being duly sworn, state as follows:—

1. I am the above-named debtor.

2. I estimate my assets at £ 4619 : 17 : 8

and my liabilities at £ 6563 : 0 : 11

Sworn by Deponent on the *Twenty*
fifth day of *August*, 1894.
 at Sydney, before me
William Brown,
 A Commissioner for Affidavits.

JOHN SMITH.

A.—UNSECURED CREDITORS.

1 No.	2 Name of Creditor.	3 Address and Occupation.	4 Amt. of Debt.		5 Date when contracted Month. Year.	6 Consideration.
1	Adamson, W. & Co. Hold pro. note at 4 mos., due Oct. 4, 1894, for £300 0 0	365 Clarence-street, Sydney, Importers	530	9	Jan. to June 1894	Goods supplied.
2	Anderson, Dr. " " 4 "	" Nov. 5, " £230 9 4 Burwood Road, Burwood, Surgeon	14	10	Mar. to Dec. 1893	Professional attendance.
3	Brown, F., & Sons	471 George-street, Sydney, Brokers	25	7	February 1894	Commission on sales.
4	Ingitts & Smith	The Strand, Sydney, Financial Agents	130	0	September 1893	Loan, £100; Int'l., £20.
5	Leather, G. H., & Co.	157 York-st., Sydney, Warehousemen	395	7	Jan. to Aug. 1894	(Goods suppl'd £380 15 0) Costs of judg't 14 12 6
6	Porter & Sons	44 Castlereagh-st., Sydney, Solicitors	46	9	June to Aug. 1894	Legal expenses.
7	Smart, George	" Smart's Academy, Moss Vale	12	12	June 1894	Scholastic fees.
8	Smith, John, & Co. Hold pro. note at 3 mos., due Sept. 4, 1894, for £50	70 Pitt-street, Sydney, Merchants	124	7	Feb. to Aug. 1894	Goods supplied.
9	" Thornton & Pilling	" Dec. 4, " £50				
10	Williams, James	130 Hunter-street, Sydney, Jewellers	20	0	November 1893	Gold Watch.
11	Australian Gas Light Co.	453 George-street, Sydney, Importers	412	4	May to July 1894	Goods supplied.
12	Dawson & Thackleton	163 Kent-street, Sydney	9	3	June 1894	Gas supplied.
13	Transfer Co. of Australia	52 Bond-street, Sydney, Advt'g Agents	3	7	March 1894	Advertising.
14	Watson & Sons	315 Clarence-street, Sydney, Carriers	5	8	Feb. to May 1894	Cartage.
	Total amount of claim - £8 10 0	179 King-street, Sydney, Tailors	6	10	August 1893	Suit of clothes.
	Less com. a/c, Led B, fol 37 2 0 0					
			£1725	17 6		

This is the paper writing marked "A" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

.....

B.—CREDITORS FULLY SECURED.

1	2	3	4	5	6	7	8	9	10	
No.	Name of Creditor	Address & Occupat'n	Amount of Debt.	Date when contracted. Month. Year.	Considerat'n	Particulars of Security.	Date when given.	Estimated Value of Security.	Estimated Surplus from Security.	
1	A. J. S. Bank, Ltd.	George-st., Sydney	286 9 7	Sept. 1891 to Aug. 1894	Overdraft on current a/c.	Deposit of deeds of land at Balmain	Sept., 1891	£350 0 0	63 10 5	
2	Baker, J.	Ryde, Fruit-grower	538 10 4	May 1892	Loan, £500; interest, £38 10 4	First mortgage on two shops in Hunter-street, Newcastle	May, 1892	1000 0 0	41 9 8	
3	Reid, W.	118 Pitt-st, Sydney, Agent	420 0 0	Aug. & 1893	Loan, £400; interest, £20	Second mrtge. on above property in Newcastle	Aug., 1893	240 0 0	54 12 9	
4	Douglas, W. G.	P. O. Chambers, Pitt-st, Sydney, Importer	185 7 3	Sept. 1894	Goods supplied	Equitable mortgage on 7 allotments at Rookwood	1894	900 0 0	373 0 0*	
5	E. S. & A. Bank, Ltd.	George-st., Sydney	527 0 0	April 1893	Loan, 500; interest, £27	First mortgage on Villa property at Burwood	1893	250 0 0	50 0 0	
6	Blue Mountains Estate Co., Ltd.	195 King-st., Sydney	200 0 0	Oct. 1892	Land at Leura	Deeds held by Vendors until purchase completed	1892	50 0 0	nil	
7	Chambers & Sons	183 Phillip-st, Sydney Solicitors	50 0 0	Jan. to May 1864	Law Costs	Lien on deeds of 5 allotments at Auburn	1864	£2790 0 0	209 12 10	
					* Less amount transferred to List "C"					582 12 10
										373 0 0
			£2207 7 2							

This is the paper writing marked "B" referred to in the annexed affidavit of

JOHN SMITH.

Signature

JOHN SMITH.

SWORN before me, etc.

C.—CREDITORS PARTLY SECURED.

1	2	3	4	5	6	7	8	9	10
No.	Name of Creditor	Address & Occupat'n	Amount of Debt.	Date when contracted. Month. Year.	Considerat'n	Particulars of Security.	Date when given.	Estimated Value of Security.	Balance of debt unsecured.
1	Joseph & Israel	Victoria Arcade, Castlereagh-street, Sydney, Financiers	45 10 0	Jan. 20 1894	Loan, £37 ; interest, £8 10 0	Piano and Organ under Bill of Sale (taken pos- session of by B. S. holder August 2, 1894)	Jan. 20 1894	40 0 0	5 10 0
2	Robinson, W.	The Esplanade, Manly, Gentleman	543 10 0	Nov. 1893	Loan, £500 ; interest and costs, £43 10	Second mtge. on property at Burwood (see list B)	Nov., 1893	* 373 0 0	170 10 0
3	Simpson, John	153 York-st., Sydney, Importer	271 8 3	Jan. 10 1894 July	Goods supplied	Assignment of interest under will of late J. Clayton	May 27 1894	200 0 0	71 8 3
4	Wilson & Barr	70 Pitt-st., Sydney, Sharebrokers	20 0 0	Feb. 1892	Advance ag- ainst shares	100 shares Blank G. M. Co., Ltd.	Feb., 1892	12 10 0	7 10 0
			£ 880 8 3						
						* transferred from list B.			
							£625 10 0		£254 18 3

D.—LIABILITIES.

Full particulars of all Liabilities not otherwise scheduled should be given here.

1 No.	2 Name of Creditor or Claimant.	3 Address and Occupation.	4 Amount of Liability of Claim.	5 Date when Liability incurred. Month. Year.	6 Nature of Liability.
1	Bank of New South Wales	George-street, Sydney	1000 0 0	May 1889	Joint and several bond, with four others, on a/c. of Blank G. M. Co., Ltd.
2	Blank G. M. Co., Ltd.	c/o. Watson & Barr, 70 Pitt-st., Sydney	225 0 0	April 1889	Uncalled balance on 300 shares.
3	City Bank of Sydney, Ltd.	Pitt-street, Sydney	120 0 0	July 1893	Cash Credit Bond, on a/c. of advances to J. W. Ellis.
4	Inglis & Smith	The Strand, Sydney, Financial Agents	35 0 0	June 1892	Guarantee of Loan to R. Day.
5	Mitchell, John	159 York-street, Sydney, Merchant	50 0 0	February 1893	Letter of guarantee re W. Craven's a/c.
6	Williamson & Rignall	Lately of Church-street, Parramatta, Fruiterers. Present address unknown	6 5 0	January 1887	Goods supplied (Statute barred).
			£1436 5 0	of which sum I estimate £500 will rank against the estate for dividend.	

This is the paper writing marked "D" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

E.—PREFERENTIAL CREDITORS FOR RENT, RATES, TAXES, AND WAGES.

1 No.	2 Name of Creditor.	3 Address and Occupation.	4 Nature of Claim.	5 Period during which Claim accrued due.	6 Date when claim due.	7 Amount of Claim.	8 Amount Payable in full.	9 Difference ranking for Divid
1	Metropolitan Board of Water Supply & Sewerage	Pitt-street, Sydney	Water Rate	6 months	1894, June	£6 8 0	£6 8 0	nil
2	The Sheriff	Supreme Court, Sydney	Estimated cost of execution	5 days	1894, August 25	4 5 0	4 5 0	nil
3	Anderson, J. F.	Bondi Road, Waverley, Traveller	Salary	4 months at £16	1894, August 25	64 0 0	50 0 0	14 0 0
4	Brown, John	Dowling-street, Paddington, Storeman	Wages	28 weeks at £1 10s.	1894, August 25	42 0 0	39 0 0	3 0 0
5	Chapman, Wm.	Palace-street, Petersham, Gentleman	Rent of store, 896 George-st., Sydney	16 weeks at £5	1894, August 25	80 0 0	65 0 0	15 0 0
6	Hayes, Geo. K.	Military-rd, St. Leonards, Accountant	Rent of private house, Burwood Rent of private house Alfred-street, St. Leonards	12 weeks at £1 5s. 6 weeks at £1	1894, July 14 August 25	15 0 0 6 0 0	8 15 0 6 0 0	6 5 0 ni.
						£217 13 0	£179 8 0	£38 5 0

This is the paper writing marked "E" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

F.—LIABILITIES OF DEBTOR ON BILLS OTHER THAN HIS OWN ACCEPTANCES.

1	2	3	4	5	6	7
No.	Acceptor's Name, Address, and Occupation.	Whether liable as Drawer or Indorser.	Date when due.	Amount.	Holder's Name, Address, and Occupation (if known).	Amount expected to rank ag's't estate for div'd
1	Moulson, A. W., 164 Market-st., Sydney, Contractor	Drawer	Oct. 4, 1894	50 0 0	Bank of New South Wales, George-street, Sydney	nil.
2	Tempest, John L., 217 King-st., Sydney, Clerk	Indorser	Nov. 4, 1894	35 0 0	Not known	35 0 0
3	Watson, G. T., 95 Hunter-street, Sydney, Draper	Indorser	Sep. 20, 1894	10 10 0	E. S. and A. Bank, Limited George-street, Sydney	nil.
				£95 10 0		£35 0 0

This is the paper writing marked "F" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

G.—PROPERTY.

Full particulars of every description of Property in Possession and in Reversion as defined by Section 14 of the Bankruptcy Act, 1887, not included in any other list, are to be set forth in this list.

1	2	3
Full Statement and Nature of Property.	Estimated Cost.	Estimated to Produce.
(a) Stock in Trade at 896 George-street, Sydney	£1457 11 4	£1243 3 6
(b) Machinery, Trade Fixtures, Fittings, Utensils, etc., at 896 George-street, Sydney	122 4 9	50 0 0
(c) Farming Stock, Growing Crops, and Tenant Right, at Ryde	25 0 0	20 0 0
(d) Household Furniture and Effects, at Alfred-street, St. Leonards (under anti-nuptial settlement, dated June, 1880. John Brown, of Bondi, Trustee)	...	...
(e) Other Property (state particulars), viz. :—		
One horse, buggy, and harness, at Alfred-street, St. Leonards	38 10 0	30 0 0
One gold watch	20 0 0	15 0 0
200 £1 shares in "The Blank Gold Mining Co., Ltd." (5s. per share paid up)	50 0 0	25 0 0
One syndicate share in "The Fortunatus Trading Company"	10 0 0	10 0 0
50 £1 paid-up shares in "The Aust. Hemp Co., Ltd." (in liquidation)	50 0 0	...
Five years lease of store, 896 George-street, Sydney, from 31st March, 1892. Rental, £5 per week. (Lease of no value to the estate).	...	...
Life policy for £500 in A. M. P. Society, dated 25th February, 1883. (Protected).	...	...
	£1773 6 1	£1393 3 6

This is the paper writing marked "G" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

.....

H.—DEBTS DUE TO THE ESTATE.

1 No.	2 Name of Debtor.	3 Address and Occupation.	4 Amount of Debt.		5 Folio of Ledger.	6 When Contracted. Month. Year.	7 Estimated to Produce.	8 Particulars of any Securities held for Debt.
1	Armstrong, E.	57 Bridge-street, Sydney, Bootmaker.	5	3	B27	July, 1894	-	Nil.
2	Due to estate Less contra a/c. Bell, John	£10 9 4 5 4 1 148 Market-street, Sydney, Agent.	-	9 6 8	A114	March, 1894	5 0 0	Nil.
3	Fitzgerald, Jno. T.	The Corso, Manly, Clerk	10	9 1	B48	May, 1894	-	Paying £2 per month
4	Hamilton, Wm.	Ultimo Rd., Sydney, Grocer	54	6 8	A94	Jan-July, '94	-	Deed of land, Concord
5	Kelly, P. (Assigned Estate of)	c/o. W. Roberts, Trustee, 108 Pitt-street, Sydney, Accountant	-	40 11 8	A12	June & July, 1893	0 0	Claim admitted by Trustee.
6	Matthews, Mrs.	127 Hunter-street, Sydney, Boarding-house keeper.	7	4 2	B17	July, 1894	-	Letter of guarantee from S. T. Ward.
7	O'Brien, John	Botany Road, Botany, Wool-washer	-	16 4 5	A14	May to Dec., 1893	8 0 0	Judgment obtained in District Court.
8	Ryan, Patrick	Lately of 315 Goulburn-st., Sydney, Miner	-	16 16 7	A37	Sept., 1893 to May, 1894	-	Gone to Coolgardie.
Doubtful debts estimated to produce			£77 5	266 2 9	16 16 7			
Add to bad debts			-	26 0 0				
Total loss by bad debts			£40 2 9	40 2 9				
			-	£56 19 4				

J.—BILLS OF EXCHANGE, PROMISSORY NOTES, &c., AVAILABLE AS ASSETS.

84

1	2	3	4	5	6	7
No.	Name of Acceptor of Bill or Note.	Address and Occupation.	Amount of Bill or Note.	Date when due.	Estimated to produce.	Particulars of any property held as security for payment of Bill or Note.
1	<i>Brown, John S. Z.</i>	<i>Bathurst, Farmer</i>	£ 32 0 0	<i>Dec. 4, 1894</i>	£ 32 0 0	<i>Stock Mortgage.</i>
2	<i>Fitzgerald, Thomas</i>	<i>84 Regent-street, Sydney, Dealer</i>	15 0 0	<i>Nov. 19, 1894</i>	15 0 0	<i>Nil.</i>
3	<i>Smith, William</i>	<i>315 Botany Road, Waterloo, Builder</i>	23 10 0	<i>Jan. 4, 1895</i>	23 10 0	<i>Deed of two allotments Zetland Estate, Waterloo.</i>
			£ 70 10 0		£ 70 10 0	

This is the paper writing marked "J" referred to in the annexed affidavit of

Signature

JOHN SMITH.

JOHN SMITH.

SWORN before me, etc.

.....

K—DEFICIENCY ACCOUNT.

	£	s.	d.
1. Excess of Assets over Liabilities on the 25th day of August, 18 93 (if any).....	147	15	8
2. Net profit arising from carrying on business from the 25th day of August, 18 93, to date of Sequestration Order, after deducting usual trade expenses (if any)	243	7	5
3. Income from other sources since the 25th day of August, 18 93 (<i>Rents</i>).....	182	0	0
4. Deficiency as per Statement of Affairs	946	8	3
	£	1519	11 4
5. Excess of Liabilities over Assets on the 25th day of August, 18 93 (if any).....			<i>Nil.</i>
6. Net loss arising from carrying on business from the 25th day of August, 18 93, to date of Sequestration Order, after deducting from profits the usual trade expenses (if any).....			<i>Nil.</i>
7. Bad Debts (if any) as per Schedule "H" £56 : 19 : 4 which sum has been written off gross profit arising from carrying on business.....	...	...
8. Expenses incurred since the 25th day of August, 18 93, other than usual trade expenses, viz., household expenses of self and four children Interest on investments.....	370	0	0
	234	8	9
9. Depreciation in value of property as estimated for realization by forced sale and loss on shares, as per list "G."	380	2	7
Contingent liabilities estimated to rank against the estate as per lists "D" and "F"	535	0	0
10. Surplus as per Statement of Affairs (if any) .....	...	...
	£	1519	11 4

Signature JOHN SMITH

Date 25th August, 1894.

Showing the State of Bankrupt's affairs on the day on which the Sequestration Order filled up, will constitute Bankrupt's statement of affairs. When

1	2	3
GROSS LIABILITIES.	LIABILITIES AS STATED AND ESTIMATED BY DEBTOR.	EXPECTED TO RANK.
£ s. d.		£ s. d.
1725 17 6	Unsecured Creditors as per List (A)	1725 17 6
2207 7 2	Creditors fully secured as per List (B) £2207 7 2	
	Estimated Value of Securities 2790 0 0	
	Surplus to contra £209 12 10 } £582 12 10	
880 8 3	" " List (C) 373 0 0	
	Creditors partly secured as per List (C) £880 8 3	
	Less estimated value of Securities 625 10 0	
1436 5 0	Other Liabilities as per List (D), £1436 5s. od., of which it is expected	254 18 3
	will rank against the Estate for Dividend	
95 10 0	Liabilities on Bills other than Debtor's own acceptances	500 0 0
	as per List (F) £95 10 0	
	of which it is expected will rank against the estate for Dividend	
112 8 0	Preferential Creditors for Rates, Taxes, Wages, etc., as	35 0 0
	per List (E) 112 8 0	
101 0 0	Preferential Creditors for Rent, payable under Section	
	50 of the Act, as per List (E) 101 0 0	
4 5 0	Preferential Claim for Sheriff's Charges under Section 54,	
	estimated at 4 5 0	
	Deduct Contra £217 13 0	
		179 8 0
		38 5 0
£6563 0 11		£2554 0 9

I, *John Smith*, of *896 George-street, Sydney*, make oath and say that *E, F, G, H, J, and K* are, to the best of my knowledge and belief, a mentioned Sequestration Order made against me.

Sworn at *Sydney* this
25th day of *August*, 18 *94*
 Before me
William Brown,
 A Commissioner for Affidavits.

Signature *JOHN SMITH.*

s made against him, viz., the 25th day of August, 1894, such sheets, when completed such statement must be verified by oath or declaration.

4				5			
ASSETS AS STATED AND ESTIMATED BY DEBTOR.				ESTIMATED TO PRODUCE.			
CASH AT BANKER'S	£	Nil.		
CASH IN HAND	10 9 0		
Estimated Cash	£	10 9 0		
PROPERTY as per List (G), viz. :—							
(a) Stock in Trade	£	1457 11 4		
(b) Machinery, Trade Fixtures, Fittings, Utensils, etc.	122 4 9		
(c) Farming Stock, Growing Crops, and Tenant Right	25 0 0		
(d) Furniture		
(e) Other property	168 10 0		
				£	1773 6 1	1393 3 6	
BOOK DEBTS as per List (H), viz. :—							
Good	77 5 2	
Doubtful	£	66 2 9		
Bad	16 16 7		
				£	82 19 4		
Estimated to produce	26 0 0	
BILLS OF EXCHANGE or other similar securities as per List (J), £70 10s., estimated to produce	70 10 0	
SURPLUS from Securities in the hands of Creditors fully secured (per contra)	209 12 10	
				£	1787 0 6		
Deduct Preferential Creditors for Rent, Rates, Taxes, etc. (as per contra)	179 8 0		
				£	1607 12 6		
DEFICIENCY explained in Statement (K)	946 8 3		
				£	2554 0 9		

above statement, and the several lists thereunto annexed, marked A, B, C, D, I, true, and complete statement of my affairs on the date of the above-

APPENDIX B.

TRADING ACCOUNTS UNDER RULE 138,

AND

AFFIDAVIT VERIFYING SAME.

ILLUSTRATED.

TRADING ACCOUNT UNDER RULE 138,

FROM THE 25th DAY OF AUGUST, 1893, TO THE 25th DAY OF AUGUST, 1894.

1893. August 25	To stock	£1674 9 3	1894. August 25	By sales	£4229 6 5
1894. August 25	To purchases	2483 16 7	25	By stock	1457 11 4
"	To wages	236 8 5			
"	To gross profit (carried to Profit and Loss A/c.)	£4394 14 3			
		1292 3 6			
		£5686 17 9			£5686 17 9

This is the paper writing marked "A" referred to in the annexed affidavit of
John Smith.
 SWORN before me this *eight* day of *September*, A.D. 1894.
William Brown, A Commissioner for Affidavits.

Signature

JOHN SMITH.

PROFIT AND LOSS ACCOUNT UNDER RULE 138,

FROM 25th AUGUST, 1893, TO 25th AUGUST, 1894.

1894. Aug. 25	1894. Aug. 25	1894. Aug. 25	1894. Aug. 25	1894. Aug. 25
To trade expenses:—salaries, rent, rates, and general charges	£954 11 3	By gross profit from trading	£1292 3 6	
To discounts and allowances	37 5 6			
To bad debts	56 19 4			
To net profit arising from carrying on business	243 7 5			
	£1292 3 6			£1292 3 6

RECONCILEMENT WITH DEFICIENCY ACCOUNT K.

1894. Aug. 25	1894. Aug. 25	1894. Aug. 25	1894. Aug. 25	1894. Aug. 25
To private drawings and expenses	£370 0 0	By net capital	£147 15 8	
To interest on investments	234 8 9	By net profit from trading (as above)	243 7 5	
To depreciation in value of property as estimated for realization by forced sale and loss on shares as per List G.	380 2 7	By rent from investments	182 0 0	
To contingent liabilities estimated to rank against estate as per Lists D. and F.	535 0 0	By deficiency as per Statement of Affairs	946 8 3	
	£1519 11 4		£1519 11 4	

This is the paper writing marked "B" referred to in the annexed affidavit of
John Smith.

SWORN before me this eighth day of September, A.D. 1894.
William Brown, A Commissioner for Affidavits.

Signature

JOHN SMITH.

 RECEIPTS.

Date.	From Whom Received.	Consideration.	Amount.
1893.			
August 25	Amount of cash on hand ... ..	... ..	£8 7
25	Richards, James... ..	Goods supplied	6 9
25	Thompson, W. T... ..	do.	12 3
26	Barlow, John	do.	7 1
26	Reid, William	Loan (secured by second mortgage on Newcastle property) ...	150 0
26	Williams, A. G.	Goods sold	9 1
26	Jackson, T. R.	Rent of villa	1 10
27	Douglas, T.	Goods sold	4 7
27	Watson, K. O.	do.	17 9
28	Best, Alfred	Horse sold	8 10
28	Markham, E.	Repayment of loan	5 0
28	Rixon, Thomas	Goods sold	9 3
28	Small, Robert	do.	6 8
28	Turner, M.	Buggy sold	7 15
29	Jones, W. M.	Goods sold	4 7
29	Kelly, P. (estate of)	do. (dividend)	11 5
30	Isaacs, A.	do.	3 8
25-30	Sundry persons	Cash sales	18 9
30	A. J. S. Bank. Overdraft on this date - - -	£194 12 6	
	Less amount of overdraft. August, 25, 1893	140 16 10	
			53 15
			£344 13

This is the paper writing marked "C" referred to in the annexed affidavit of *John Smith*.

SWORN before me this eighth day of September, A.D. 1894.

William Brown.

A Commissioner for Affidavits.

This account usually extends over several sheets

ACCOUNT.

RULE 138.

PAYMENTS.

Date.	To Whom Paid.	Consideration.	Amount.
August 25	Price & Co.	Goods supplied	£9 11 4
25	Chapman, Wm.	Rent of store	5 0 0
25	Dawson & Shackleton	Advertising	7 9 3
25	H. M. Customs	Duty on consignments	3 1 8
26	Chambers & Son	Law costs	6 6 0
26	Municipal Council	Rates	7 3 6
27	Adamson & Co.	Goods (P. N. due)	84 9 4
27	Williams, James	do. do.	60 7 3
27	Smith & Son	do. do.	52 6 8
27	Australian Gas-light Co.	Gas supplied	9 0 7
28	Board of Water Supply & Sewerage	Rates	5 8 4
28	Norwich Union Insurance Co.	Premium on Fire Policy	7 10 6
28	Rogers, John	Printing and Stationery	5 9 3
28	Telephone Department	Rental fees	4 0 0
29	Self	Household expenses	3 10 0
29	Watson, George	Horse, buggy, and harness	38 10 0
29	Rixon & Co.	Produce	2 4 3
30	Neill & Ellis	Brokerage	1 2 5
30	Transfer Co. of Australia	Delivering goods	3 7 4
30	Trade Protective Institute	Subscription	10 10 0
30	Employees	Wages and salaries	18 5 6
			£344 13 2

Signature

JOHN SMITH.

One week only is illustrated above.

In the Supreme Court of)
 New South Wales. }
 IN BANKRUPTCY. } No. 8748.

Re *John Smith.*

Ex parte *John Smith.*

ON the *eighth* day of *September,* 189 *4,*
John Smith, of *Sydney,*
 in the Colony of New South Wales, being duly sworn, maketh oath and
 saith as follows:—

1. I am the abovenamed Bankrupt..

2. The *three* sheets of paper writing hereto annexed and marked
 with the letters *A, B, and C* contain a true account, to the best of my
 knowledge and belief, of all my transactions for the *twelve months* immedi-
 ately preceding the sequestration of my estate.

Sworn by the Deponent on the day
 and year first above mentioned, at
 Sydney, before me

William Brown,

A Commissioner for Affidavits.

JOHN SMITH.

APPENDIX C.

SUPPLEMENTARY STATEMENT OF
AFFAIRS,
UNDER RULE 7, OF THE 25th MARCH, 1891,
AND
AFFIDAVIT VERIFYING SAME.
ILLUSTRATED.

SUPPLEMENTARY STA

UNDER RULE 7, OF

FIRST

RECEIPTS.

Date.	From Whom Received.	Consideration.	Amount.
1894.			
Feb'y. 26	<i>Fortunatus Trading Co. ...</i>	<i>Salary as Secretary ...</i>	£20 16 8
26	<i>Brown, Jones & Co. ...</i>	<i>Auditing books ...</i>	10 10 0
26	<i>Small, William ...</i>	<i>Commission on sale of land ...</i>	16 4 9
27	<i>Isaacs & Co. ...</i>	<i>Interest in mine at Wyalong ...</i>	35 0 0
27	<i>Roberts & Thornton ...</i>	<i>Brokerage ...</i>	3 2 10
28	<i>Watson, G. (executors of) ...</i>	<i>On account of legacy ...</i>	50 0 0
March 1	<i>Golden Hope Co., Ltd. ...</i>	<i>Directors fees ...</i>	5 5 0
1	<i>Jones, T. S. ...</i>	<i>100 shares Fortunatus Trading Co. ...</i>	10 0 0
2	<i>Robinson, B. ...</i>	<i>Preparing balance-sheet ...</i>	3 3 0
2	<i>Bucham & Co. (estate of) ...</i>	<i>Commission as trustee ...</i>	6 4 8
2	<i>Jackson, Richard ...</i>	<i>do. on amount collected ...</i>	4 5 5
			£164 12 4

This is the paper writing marked "A" referred to in the annexed affidavit of *William Robinson*.

SWORN before me this twenty-fifth day of August, A.D. 1894.

James Jones,

A Commissioner for Affidavits.

This account usually extends over several sheets.

STATEMENT OF AFFAIRS

25th MARCH, 1891.

PART.

PAYMENTS.

Date.	To Whom Paid.	Consideration.	Amount.
1894.			
Feb. 26	A. M. P. Society	Premium on policy	£10 8 6
26	Circulating Library Co.	Subscription	2 2 0
27	Newmarsh, G. F.	Photographs	1 10 0
27	Waller Bros.	Rent of dwelling	1 5 0
27	Self	Household expenses	4 0 0
27	Hall & Co.	Sac suit	5 15 0
28	Tom's Lewis Ponds Co., Ltd.	Call on shares	16 5 0
28	Sanderson & Co.	Labor and material	3 8 9
March 1	Robinson, F.	Repayment of loan	17 4 10
1	Sydney Hospital	Subscription	1 1 0
1	Self	Expenses to Bowral	4 5 0
1	Victoria Insurance Co., Ltd.	Premium on Fidelity Bond	7 10 0
2	Ward & Co.	Funeral expenses	12 5 0
2	Hanson, George	Dep. on purchase of land at Waverley	20 0 0
2	Horton Coal Co., Ltd.	Ten shares	24 5 0
3	Smart, George	School fees... ..	3 3 0
3	Lawson, S. W. & Co.	Goods supplied	2 7 4
3	Dr. Hopeful	Medical attendance	8 8 0
3	Bank of N. S. Wales	Interest on overdraft	3 16 5
3	do. do. amount of over draft, Feb. 26, 1894, £38 12 0		
3	do. do. amount of present overdraft - 24 18 4		
			13 14 6
3	Cash on hand ... ..	... ..	1 18 0
			£164 12 4

Signature

WILLIAM ROBINSON.

One week only is illustrated above

SUPPLEMENTARY STA

UNDER RULE 7, OF

SECOND

Particulars of all property parted with within six months preceding the Sequestration.													Date.
													1894.
<i>Allotment of land at Enfield</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>March</i> 7
<i>Gold watch and chain</i>	...	...	...	...	...	...	...	...	...	...	...	...	" 20
<i>Pianoforte</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>April</i> 4
<i>Horse, sociable, and harness</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>May</i> 10
<i>Household furniture and effects</i>	...	...	...	...	...	...	...	...	...	...	...	...	" 16
<i>Interest under will of late G. Watson</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>June</i> 19
<i>Allotment of land at Kogarah</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>July</i> 11
<i>Policy of Insurance A. M. P. Society for £1000</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>August</i> 7
<i>Cow and calf</i>	...	...	...	...	...	...	...	...	...	...	...	...	" 20

This is the paper writing marked "B" referred to in the annexed affidavit of *William Robinson*.

SWORN before me this twenty-fifth day of August, A.D. 1894.

James Jones,

A Commissioner for Affidavits.

STATEMENT OF AFFAIRS,

25th MARCH, 1891.

PART.

How Parted With.	To Whom Sold, Assigned, or Transferred.	Consideration.
<i>By public auction</i>	<i>Rhodes, J. W.</i>	£ s. d. 25 0 0
<i>Gift to my son</i>	<i>Robinson, Charles...</i>	<i>Nil</i>
<i>Under Bill of Sale</i>	<i>Josephs & Israel</i>	18 10 0
<i>Transferred in settlement of contra a/c. for goods</i>	<i>Wood, Samuel</i>	<i>Contra a/c., £24 10s.</i>
<i>Voluntary settlement</i>	<i>Brown H., as trustee for my wife</i>	<i>Nominal</i>
<i>Assigned to secure amt. due and interest.</i>	<i>Smith, W.</i>	<i>Past debt, £50 and int.</i>
<i>Private sale</i>	<i>Jones, F. S.</i>	10 0 0
<i>Assigned as security for loan</i>	<i>Wilson, W.</i>	40 0 0
<i>Exchanged for store goods</i>	<i>Matthews, J. C.</i>	<i>Goods supplied</i>

Signature

WILLIAM ROBINSON.

SUPPLEMENTARY STATEMENT

UNDER RULE 7, OF

SECOND

Particulars of all property parted with within six months preceding the Sequestration.	Date.
<i>Allotment of land at Enfield</i>	1894. <i>March</i> 7
<i>Gold watch and chain</i>	" 20
<i>Pianoforte</i>	<i>April</i> 4
<i>Horse, sociable, and harness</i>	<i>May</i> 10
<i>Household furniture and effects</i>	" 16
<i>Interest under will of late G. Watson</i>	<i>June</i> 19
<i>Allotment of land at Kogarah</i>	<i>July</i> 11
<i>Policy of Insurance A. M. P. Society for £1000</i>	<i>August</i> 7
<i>Cow and calf</i>	" 20

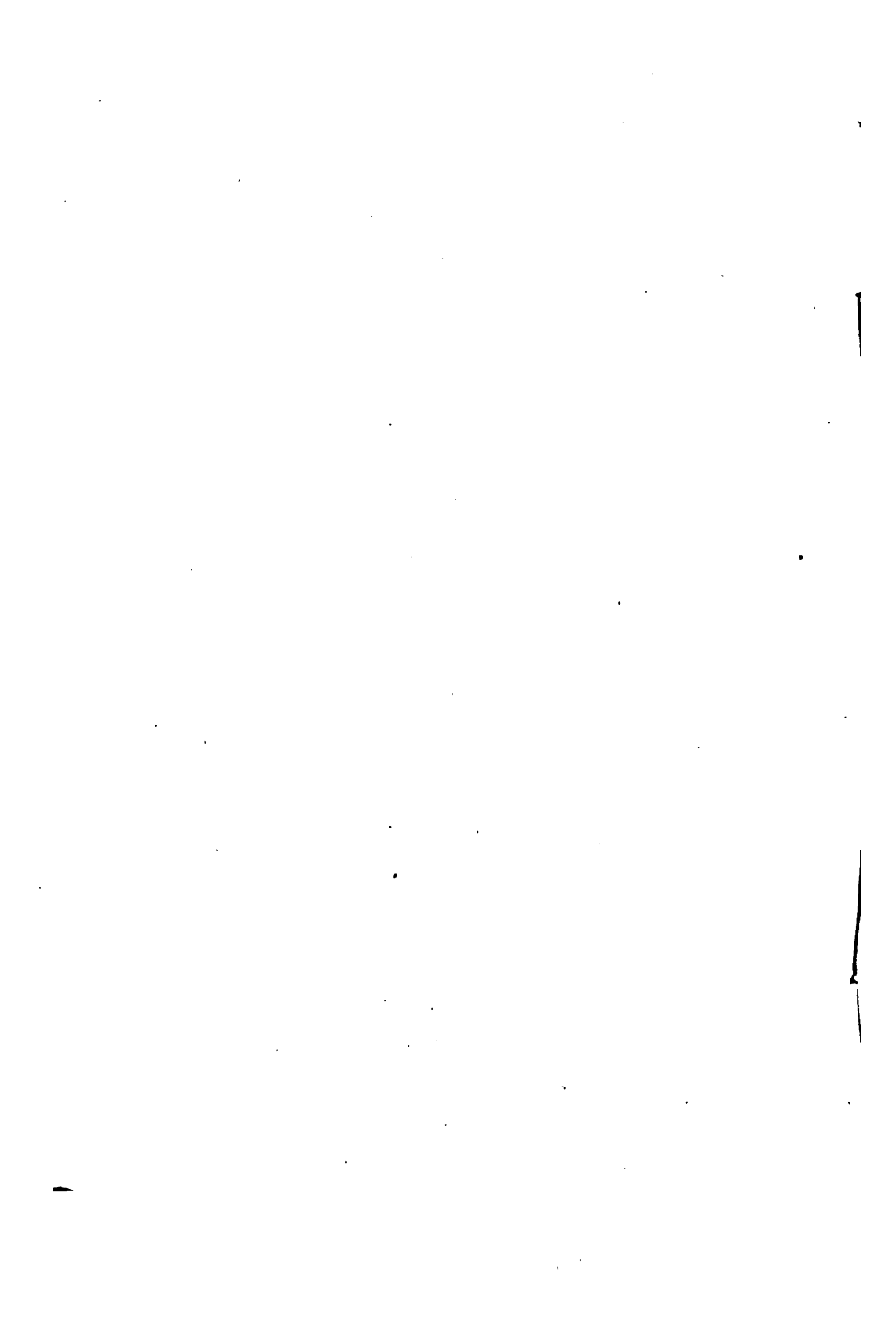
This is the paper writing marked "B" referred to in the annexed affidavit of *William Robinson*.

SWORN before me this twenty-fifth day of August, A.D. 1894.

James Jones,

A Commissioner for Affidavits.

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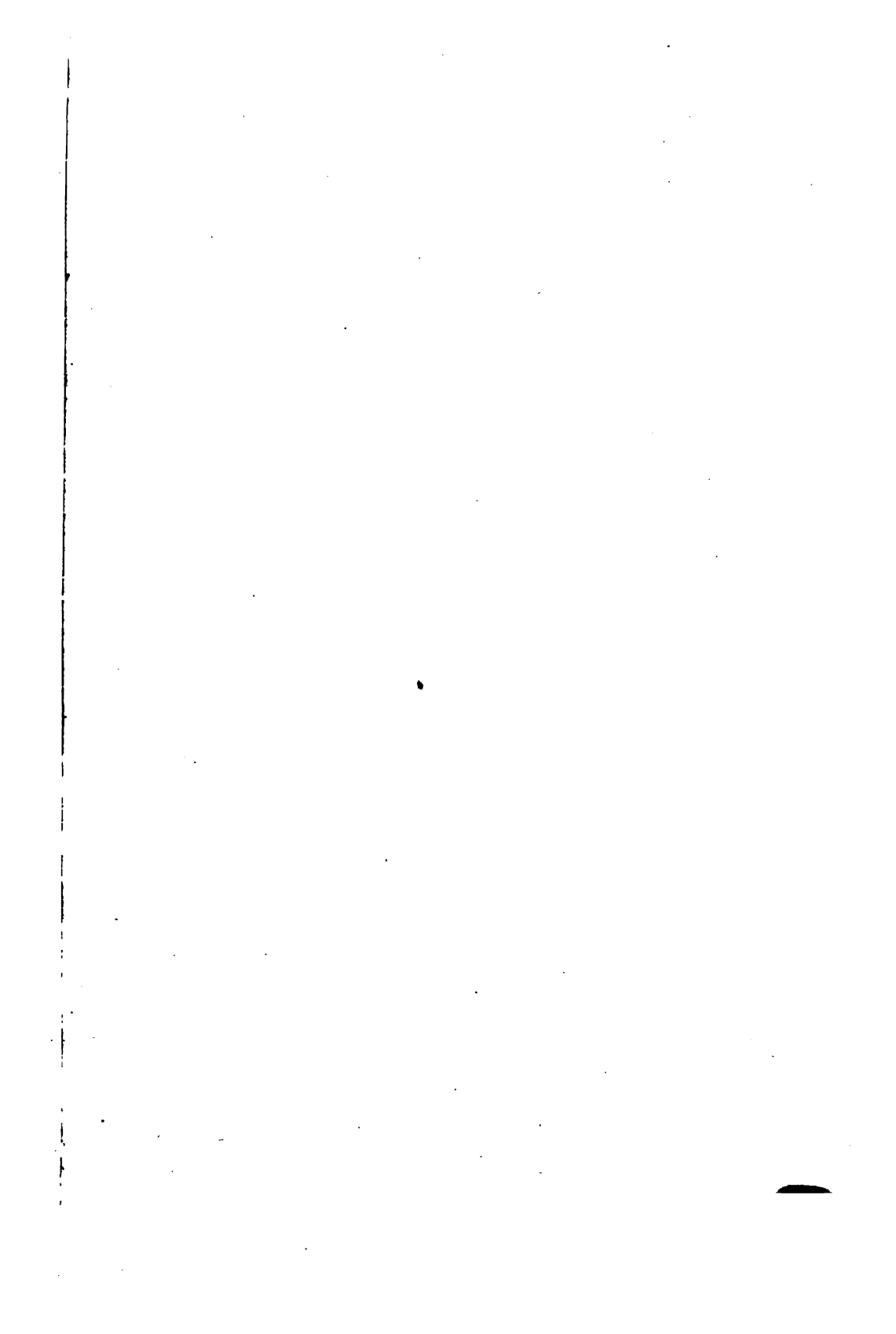
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